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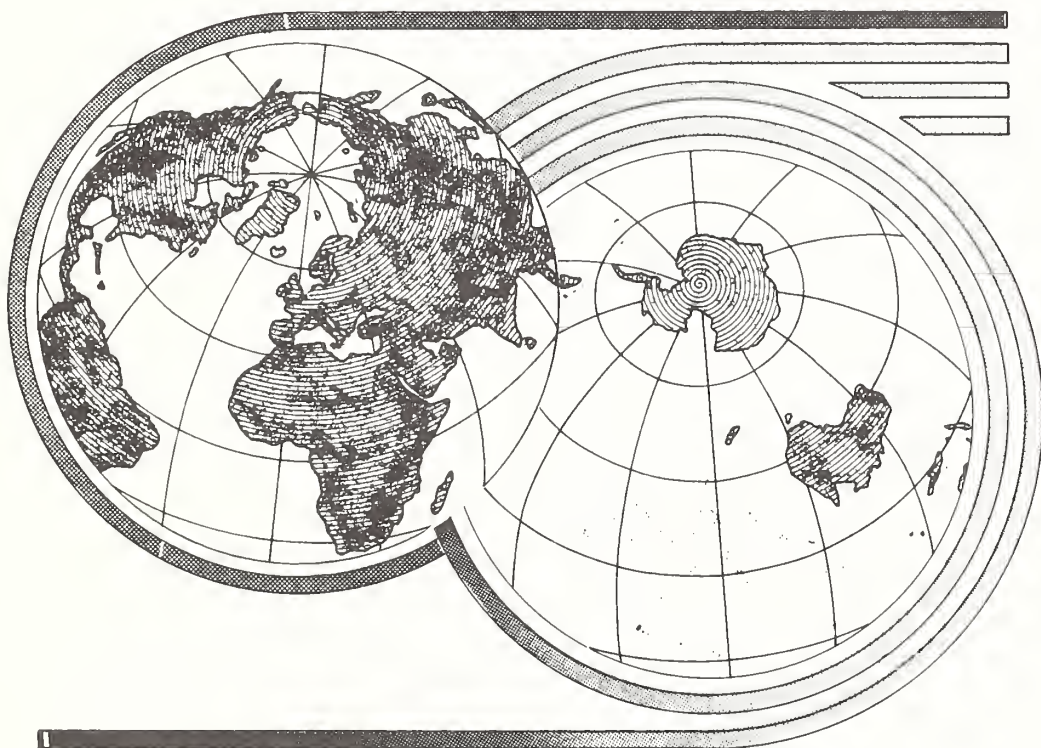
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WORLD AGRICULTURAL Situation

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APPROVED BY THE WORLD FOOD AND AGRICULTURAL OUTLOOK
AND SITUATION BOARD

ECONOMICS, STATISTICS, AND COOPERATIVES SERVICE

UNITED STATES DEPARTMENT OF AGRICULTURE

OUTLOOK '80



OUTLOOK CONFERENCE
SET FOR NOVEMBER 5-8

OUTLOOK '80



Agriculture in a World Setting is the theme for USDA's 56th annual Food and Agricultural Outlook Conference to be held in Washington, D.C., November 5-8, 1979.

Proceedings will focus on world agricultural production and trade prospects and on the U.S. general economy, farm and food policy, nutrition, and outlook for major commodities.

For a preliminary program or other information, call (202) 447-3050 or write:

Sally Michael
Outlook '80
Room 3505 South
U.S. Department of Agriculture
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NOTE: Registered participants at last year's outlook conference will automatically receive a preliminary program and other conference information.

THE WORLD AGRICULTURAL SITUATION

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Situation Coordinator:
Sally Breedlove Byrne
202-447-8261

International Economics Division
Economics, Statistics, and Cooperatives Service
U.S. Department of Agriculture
Washington, D.C. 20250

The *World Agricultural Situation* is published in June, September, and December. Agricultural situation reports for the world's major regions are published during March-May.

SUMMARY

Despite scattered problems in major producing areas, the 1979/80 world grain harvest is forecast just 4 percent below last year's record. A substantial increase in oilseed production is expected, and cotton production is expected to rebound from last year's reduced outturn.

A slowdown in world economic expansion is likely. Lagging investment and chronic inflation, exacerbated by the sharp oil price rises, have reduced growth prospects in many developed countries. Inflation rates are likely to remain high through 1980. The higher oil import bills will worsen trade and payment deficits.

Economic prospects for the developing countries are also deteriorating. Financial problems will include higher oil import bills, oil-induced secondary price rises for other imports, loss of potential export earnings due to slower growth in developed countries, and higher costs of commercial borrowings. Current deficits of the developing countries are expected to rise sharply in 1979 and further in 1980. Some food-importing countries may require expanded concessional shipments, but the major factor remains domestic food production.

The 1979/80 world grain crop (including milled rice) is estimated at 1.38 billion tons, down from 1.45 billion. Utilization is forecast at 1.42 billion, only slightly above a year earlier. At the end of 1979/80, grain stocks are expected to be down 17 percent from a year earlier, about equaling 1977/78 carryout stocks.

World wheat production is expected to decline about 9 percent in 1979/80. The USSR will account for most of the shortfall, but declines are expected for most regions except the United States, China, and India. Coarse grain production will likely decline about 3 percent, with the greatest decline in the USSR.

Production shortfalls in the USSR, Eastern Europe, and other importing countries will cause substantial growth in grain trade in 1979/80, now forecast at 190 million tons, 10 percent above a year earlier. Because of limited supplies and

Note: Fiscal 1980 means October 1979/September 1980. Tons are metric and dollars are U.S. unless otherwise specified.

transportation difficulties in other exporting countries, the United States will provide much of the forecast expansion. The U.S. share of world grain trade is expected to increase from 51 to 55 percent.

U.S. agricultural exports are expected to total between \$35 and \$40 billion in fiscal 1980, up from an estimated \$32 billion last year. The export volume of major bulk commodities is expected to increase about 14 percent. The agricultural trade surplus may reach \$20 billion, compared with \$15.7 billion estimated in fiscal 1979.

Early prospects point to additional substantial increases in world oilseed production in 1979/80. Following a 5-percent gain in 1978/79, protein meal production is expected to expand about 14 percent. Output of fats and oils is forecast up about 8 percent. The anticipated record U.S. oilseed crop accounts for three-fifths of the expected increase in world protein meal production. Favorable weather would allow a sharp rise in Brazilian soybean production after 2 years of drought. Argentine production is expected to continue its rapid expansion.

If this output expansion is achieved, oilseed prices are likely to average below 1978/79. The plentiful supplies and lower prices could lead to a 10-percent increase in utilization.

World meat production is expanding in 1979 as larger pork and poultry output offsets the reduction in beef production. Cattle numbers in the European Community are flat, and numbers may be approaching a low in Australia. Mexican cattle numbers will continue to decline. Liquidation is

ending in Canada and the United States. The rate of increase in pork and poultry output is expected to slow in 1980.

Some reduction in sugar stocks may be achieved during 1979/80. World production is forecast in a range of 88 to 92 million tons, while consumption is expected to reach 91 million tons, up 2 million from 1978/79. Several large producers are limiting their output, and reductions are expected in Europe and the USSR because of weather problems.

World coffee production is expected to increase 4 percent to about 80.2 million bags in 1979/80. Brazil is expected to account for most of the growth, with output up 12 percent. Larger crops are also expected in Colombia, Central America, and Africa. Coffee prices have increased in 1979 due to a resurgence in demand and reduced 1980/81 production prospects.

Crop shortfalls in Ghana and Nigeria more than offset gains in the Ivory Coast and Brazil, and 1978/79 world cocoa bean production declined slightly. Utilization may increase in 1979 but will likely remain below production. Prices have declined in recent months, and favorable prospects for 1979/80 production indicate that further declines are likely.

World cotton production is expected to increase 7 percent from 1978/79's reduced output, with the U.S. crop accounting for most of the rise. Because of the anticipated economic slowdown, utilization may not match last year's volume, and no increase is expected for cotton trade. Stocks may rise by 1 to 2 million bales.

WORLD ECONOMIC CONDITIONS

The OPEC Oil Price

In late June 1979 the OPEC oil ministers announced the largest increase in the price of reference crude petroleum since 1973-74. The price of Saudi Arabian light crude was raised to \$18 per barrel. Other types of crude oil may include a \$2 surcharge plus additional charges. The new pricing strategy has effectively raised oil prices by 60 percent over last year's level. Average OPEC prices are currently \$20.40 a barrel with a maximum of \$23.50. If prices are raised no further in 1979, average oil prices for all of 1979 will be 40 percent above the 1978 level. Future effective oil prices will depend on production levels in OPEC member countries, the share of total OPEC exports sold on the spot market instead of by contract, and changes in the exchange rate between U.S. dollars and currencies of other oil-importing countries.

In early July Saudi Arabia announced a temporary 1-million-barrel-per day (mbd) increase in production. For the first half of 1979 they had been

producing 8.5 mbd despite an 11-mbd capacity. Since the Saudis, along with the United Arab Emirates, may be the only OPEC members to sell at the lower end of the agreed price range, any production increases reduce upward pressure on oil prices.

At the Tokyo summit meeting in June the seven nations—the United States, Canada, Japan, Germany, United Kingdom, France and Italy—agreed to individual maximum oil import levels for 1979 and 1980 and to goals for 1985. The four participating EC nations agreed to keep imports at the 1978 level through 1985 as a group, with individual ceilings to be set in the fall. The United Kingdom expects to be self-sufficient in oil shortly, but the other countries depend heavily on oil imports. The European Community has decided to restrict 1979 oil consumption to 10 mbd and to maintain EC imports between 1980 and 1985 at an annual level not higher than that for 1978. Canada, Japan, and the United States have agreed to

adjusted oil import levels for 1979 and to maintain 1980 imports at or below the 1979 level. Canada, with a projected decline in domestic oil production, will aim to keep 1985 oil imports below 0.6 mbd. For Japan the 1985 target level is between 6.3 and 6.9 mbd. The 1985 U.S. goal is to keep imports at the 1977 level of 8.5 mbd.

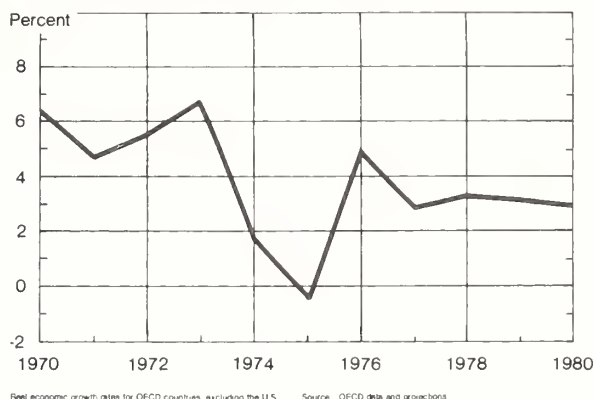
The Developed Countries

Projections of economic growth have been reduced in reaction to the energy situation (table 1). The OECD has given top priority to renewed inflation and uncertain energy supplies as the "major obstacles to achieving sustained economic growth and more jobs in OECD countries." The OECD ministers have stated, "There is now a real danger that, without responsible policies by oil consumers and producers alike, the energy situation will seriously damage the world economy."

New OECD projections for the industrialized countries as a group in the July 1979-June 1980 period are for higher inflation, larger deficits on current accounts, and slower overall economic growth than had previously been expected. Due to the June oil price rise, inflation estimates have been raised by roughly one percentage point. The average inflation rate in the industrialized countries is expected to be 10 percent on an annual basis in the second half of 1979 and about 9 percent in the first half of 1980. In the second half of 1979, the combined current accounts (comprising all trade, services, and transfer payments) for all of the member countries, including the United States, are expected to be in deficit by \$40 billion at an annual rate, double what was previously forecast. The deficit is projected to fall to an annual rate of \$30 billion in the first half of 1980. Overall real GNP growth is now forecast at about 2 percent for the 12-month period, three-quarters of a percent lower than the forecast made in June just before the OPEC announcement. The Project Link forecast for overall economic growth in the industrialized countries is 2.7 percent in 1979 and 1.6 percent in 1980.

Among individual countries most forecasts agree that Japan will continue to have the highest growth rate of the major developed countries over the next 12 months. However, that growth may slow sharply in 1980 as domestic consumption slows and the trade balance deteriorates. Already in the April-June 1979 period the Japanese recorded their first quarterly current account deficit since 1975. For all of 1979 the current account surplus may total under \$4 billion, compared to a \$16 billion surplus in 1978. For 1980 a \$3 billion deficit is likely.

Economic Growth Continues Slow



Germany will also face higher oil import bills, reduced trade and current account surpluses, and higher domestic inflation rates. In the first half of 1979 Germany's current account surplus was the smallest since 1972. Though the United Kingdom has the North Sea oil and a strong currency it may have the lowest growth rate among the OECD countries. In the first quarter of 1979 economic growth was negative and the current account was in deficit. In addition, high money supply growth led to the raising of the official minimum lending rate to 14 percent. Interest rates have risen in most European countries during 1979.

The Developing Countries

The higher oil prices will cause adverse economic effects on most developing countries. Financial problems will include: higher oil import bills, oil-induced secondary price rises for other imports, loss of potential export earnings due to slower economic growth in developed countries, and higher costs of commercial borrowing. Current account deficits are expected to rise sharply in 1979, to \$43 billion, and even further in 1980, necessitating either import restraint or increased borrowing or both. The International Monetary Fund has estimated that the recent oil price increases would add more than \$12 billion to the current account deficit of all non-oil developing countries by 1980.

Higher oil prices during the first half of 1979 are estimated to cost \$7 billion in additional, direct oil import costs for all oil importing developing countries in 1979. In-general, developing countries have a low level of price elasticity of oil imports. Some countries reduced the volume of oil imports in 1974 or 1975 in response to the quadrupling of oil prices. However, most of them reduced their growth of oil imports but not the absolute level. Many, especially

the lowest income countries, import oil at minimum levels to sustain economic production and when financial constraints occur, oil, like food, is a priority import item. For the lowest-income countries (those with a per capita income under \$580), the increase in the 1979 oil bill is estimated at \$2 billion. For all countries currently receiving food aid from the United States the increased oil import bill is estimated at almost \$4 billion. The countries with the largest absolute dollar increases in oil import bills will be those with larger economies, such as Korea, India and Brazil. Some developing countries have not felt the full impact of past oil price rises because of aid and investment flows from OPEC members and special price considerations. In addition, several non-OPEC developing countries are oil exporters and they will benefit from higher oil prices. Some of these countries are Mexico, Egypt, Syria, Malaysia, and Tunisia.

The non-OPEC developing countries also face higher import costs for other goods, such as manufactured goods, fertilizers, and agricultural products, due to the secondary price effects of higher oil prices. The increase in the total 1979 import bill of non-OPEC developing countries is estimated at \$4 billion due to these price effects. In addition to increased oil import costs and higher secondary import prices, the developing countries are expected to face a loss of potential export earnings in 1979 and 1980. Though actual dollar level of export earnings of the developing countries is expected to rise in 1979, it may be lower than had previously been anticipated. Through mid-1979 prices for many primary products exported by developing countries have been at or above 1978 levels, except for coffee and tea. However, commodities such as copper, which are used as industrial inputs, may face a reduction in demand. The trade deficit of developing countries as a group had already deteriorated sharply in 1978 to over \$40 billion—the highest since 1975—from \$29 billion in 1977.

Financing for the higher 1979 trade and current account deficits will come from higher commercial borrowings, at almost an 11 percent rate of interest, from higher official concessional aid from the developed countries, and from drawing down of reserves by some countries. The value of total international reserves of all non-OPEC developing countries continued rising during the first five months of 1979. By the end of May it equalled \$72 billion—17 week's worth of estimated 1979 imports.

Overall economic growth rates in the non-OPEC developing countries had been projected to slow slightly in 1979 even before the June increase in oil prices. Overall economic growth will probably be

around 5 percent in 1979, down about a half percentage point from 1978.

Exchange Rates

After appreciating against major currencies—German mark, Japanese yen, British pound, Dutch guilder and Canadian dollar—through May, the dollar has since declined (table 2). The shift in market sentiment against the dollar was due to a combination of negative indicators of the U.S. external position, such as reported large trade deficits in April and May and the narrowing of interest rate differentials between the United States and other major countries. In May the dollar had appreciated against all of the five currencies as U.S. interest rates remained high, the apparent slowing down of the U.S. economy implied an improved current account balance in 1979, and it was thought that the adverse effects of oil shortages and rising spot oil prices would affect other developed countries more than the United States.

In June, however, the dollar began depreciating against other currencies. Large official exchange market intervention on the part of several countries limited the fall of the dollar. Many European countries participated in exchange intervention to keep their currencies from appreciating too sharply to maintain agreed margins with each other within the eight-nation European Monetary System. The decline of the dollar in June eroded about half of the effective dollar appreciation since the beginning of 1979. Interest rate differentials narrowed in June as many developed countries tightened monetary policies. Uncertainties regarding domestic energy policies also accounted for the active currency trading conditions at the end of June when the new OPEC pricing strategy was announced.

The dollar's depreciation accelerated in July pushing the value of the dollar below previous lowpoints for the mark, guilder and pound. The prospect of energy self-sufficiency in the near future and recent monetary and fiscal policies have accounted for the continuation of the pound's upward trend for more than a year. The depreciation of the dollar in July was 1 percent against the yen and the Canadian dollar, 3 percent against the mark and the guilder, and 7 percent against the pound.

The July figures for the index of cost of U.S. dollars to U.S. markets (table 3) show a decline for each of the categories—total agricultural exports, wheat, soybeans, cotton, and corn. The fall in the cost of dollars weighted against our major markets was especially large for soybeans, corn, and total agricultural exports.

High U.S. oil import costs and inflation rates

are negative factors for the dollar in coming months. However, U.S. export growth has been stimulated by the weak dollar and the continued economic growth in other developed countries

above U.S. growth rates. The economic slowdown and high domestic interest rates are expected to limit growth in imports. (*Eileen M. Manfredi*, 202-447-7590)

COMMODITY PRICES REMAIN STRONG

In August, international prices for wheat, corn, sorghum, soybeans, cotton, beef, coffee, sugar, and rubber were all higher than they were a year ago; cocoa bean and rice prices were below a year ago.

The U.S. Gulf ports wheat price reached \$4.71 a bushel in August despite the large 1979 U.S. harvest. Major causes of rising international wheat prices are crop shortfalls in the USSR and Eastern Europe, shipping problems in Canada and Australia, and continued strong demand.

Expanding domestic use and heavy export demand, particularly Soviet purchases of U.S. corn, sent the Gulf ports price for corn to \$3.39 a bushel in July and \$3.10 in August. Moreover, the outlook is for a reduced 1979/80 world coarse grain crop, despite an expected record U.S. corn crop.

The 1978/79 U.S. marketing year for soybeans closed with an August Gulf ports price of \$7.74 a bushel, reflecting this past year's heavy domestic use and larger exports. Prices are expected to be under pressure in 1979/80. The United States is currently looking forward to harvesting a record soybean crop, and record world oilseed crops are expected.

The cotton situation is also transitional as international cotton prices (OSAKA) have recently drifted downward, averaging 74 cents a pound in late August.

Among import commodities, international beef prices had a temporary relapse. Consumer resistance to high retail prices, the bunching up of recent marketings within the U.S., and the large pork and poultry supplies have all recently dampened cattle prices. Rubber prices continued to strengthen; sugar prices are rising.

Uncertainty over the extent of damage to future Brazilian coffee production from a May 30 to June 1 freeze has pushed coffee prices to a level higher than they had been in 16 months.

The interplay of international price developments with domestic and foreign farm-level and consumer level prices is illustrated in tables 4 and 5.

Export and import unit values necessarily lay behind farm and international trade price quotations. Export and import unit values for most commodities have moved in the same direction as international price and U.S. farm price quotations (table 6). The earlier upsurge in international grain, oilseed, and coffee prices and the temporary

downturn in beef prices are not yet reflected fully in the U.S. export and import values. Overall, the average price of U.S. exports in the second quarter was 8 percent higher than a year earlier; of prices for the major commodities, only those for milled rice fell. The overall import unit value index was 8 percent higher than a year ago as the sharp upturn in most major imports, including beef, overshadowed the continued slide in the coffee import unit value. However, import unit values in Japan and West Germany also increased.

During the second quarter of 1979, U.S. farm prices for wheat, corn, barley, soybeans, broilers, eggs, milk, and beef were all priced higher than they were a year earlier. Pork, rice, and potato prices dropped back.

While second-quarter farm level prices of over \$3 a bushel for wheat and over \$7 a bushel for soybeans appear to be substantial, general inflation has been such that, in real terms, farm prices have lost ground. As indicated by table 7, farm prices for wheat and corn are still at about their pre-1972 level when deflated for the Consumer Price Index, and corn was at about the same level as a year earlier. The June farm-level wheat price, however, jumped sufficiently to put the real wheat price ahead of last June's level. Farm level soybean prices have been such that in real terms they are about last June's level.

The second quarter U.S. consumer price for food was nearly 10 percent above a year earlier, as higher farm and import prices and marketing charges were transmitted through the marketing system. Bread and bakery products, fats and oils, sugar, and beef were all priced higher than they were a year earlier, while coffee and pork prices declined.

U.S. food prices in the first quarter were 13 percent above a year earlier, outpacing food inflation in many other countries (tables 8 and 9). U.S. consumers continue to spend a smaller share of their income on food than consumers in other countries.

Between 1970 and 1978, the increase in food prices outstripped general inflation in nearly three-fourths of the countries listed in table 8, indicating an overall tightening of food supplies in recent years, resulting in higher food prices. (*H. Christine Collins*, 202-447-8646)

WORLD FERTILIZER DEMAND STRONG, PRICES RISING

Preliminary estimates of world fertilizer consumption for 1978/79 indicate a gain of about 8 percent to nearly 107 million tons of plant nutrients, a new record. World fertilizer use was increased by strong demand for agricultural products and favorable prices at planting time. In the United States, fertilizer use recovered to near record levels following a decline in 1977/78.

This strong world demand has allowed for the pass-through of rising production costs, and as a result prices for fertilizers have increased significantly in 1979. International spot prices have responded to consistently strong demand, rising energy costs, and temporary supply bottlenecks by rising sharply from January to September. Spot price increases ranged from 23 to 56 percent for nitrogen, 31 to 58 percent for phosphates, and 22 to 36 percent for potash (table 10).

Impact of Rising Energy Costs on Nitrogen

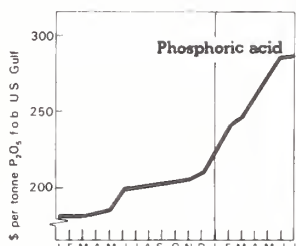
Higher fertilizer prices can be expected in 1979/80 partly due to rapid escalation in energy costs. However, unlike the 1974/75 period when

some fertilizer prices quadrupled following dramatic petroleum price increases, now there is idle and surplus ammonia capacity available which should prevent nitrogen prices from skyrocketing.

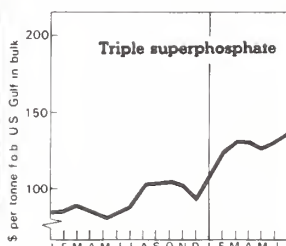
The nitrogen industry has been most severely affected by the two rounds of OPEC crude oil price hikes this year due to its dependence upon large quantities of hydrocarbon feedstocks and process fuel. Most world ammonia capacity is based upon natural gas, but about 16 percent of capacity depends upon naphtha and fuel oil, both petroleum derivatives. Naphtha prices have escalated faster than any other petrochemical product. In Europe, for example, the naphtha required to produce one ton of ammonia would cost over \$250 at current prices.

If naphtha-based capacity in Europe and Asia were forced to shut down due to excessive feedstock prices, much of the world's current surplus nitrogen capacity would disappear. The safety valve which should prevent nitrogen prices from exploding as they did in 1974/75 is provided by temporarily idled natural gas-based ammonia plants, especially in the United States. As ammonia prices rise, U.S. plants will be enticed back into

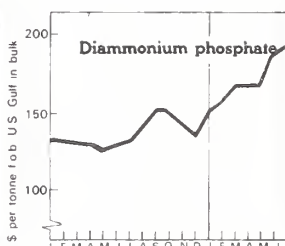
Recent International Price Trends for Principal Fertilizers, 1978-79



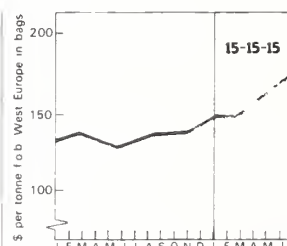
Spot prices have stabilised but some contracts have been renegotiated in order to reflect the substantial increase in price that has taken place this year.



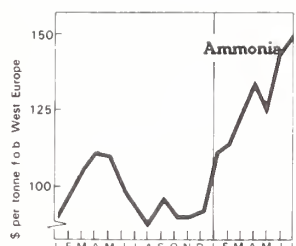
GTSP prices have moved up in line with DAP prices although the differential between the two products has widened to \$50 per tonne.



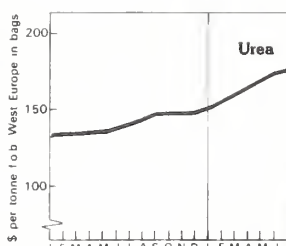
\$200 per tonne f.o.b. was realised for DAP in early August with sales to Peru and Italy for October/November shipment.



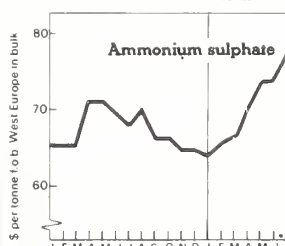
Forward price indications for compound fertilizers reflect the uncertainty surrounding raw material costs and offers of bagged 15-15-15 to Nigeria have been as high as \$190 per tonne f.o.b. West Europe.



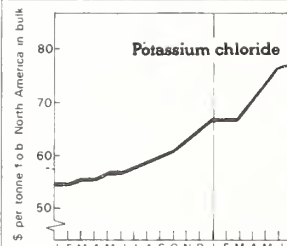
With supplies of ammonia in most areas limited prices have remained firm. Quotations for U.S. product are in the range of \$130-135 per tonne f.o.b. while the last sale recorded in Europe was concluded at about \$140 per tonne f.o.b.



Panic bidding in Egypt saw prices there fall to \$172 per tonne c & f for bagged urea but elsewhere there is a clear upward trend as evidenced by the contracts signed with China and India.



Egypt did not buy ammonium sulphate but this has not dampened producers' optimism and European bulk sulphate prices are now centred on \$80 per tonne f.o.b.



Spot sales in Brazil have been made at \$78 per tonne f.o.b. Vancouver for bulk standard grade potassium chloride.

Source: British Sulphur Corporation, Fertilizer International, No. 120, September 1979, p.2.

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production, although delays of six months to a year must be anticipated for them to become fully operational.

Most natural gas-based plants secure gas supplies under long-term contract and are not immediately affected by petroleum price increases. However, as gas contracts expire and are renegotiated, new prices will be based upon the

overall increase in energy costs. If nitrogen fertilizer prices continue increasing, this will encourage ammonia producers with high natural gas costs to restart idled plants. If fertilizer prices rise too high relative to product prices, the world's farmers will resist buying fertilizer as they did in 1974/75. (*Richard Rortved, National Economics Division, 202-447-6620*).

U.S. AGRICULTURAL TRADE

The boom in agricultural trade, begun in the early 1970's, is continuing. Fiscal 1979 exports totaled \$32 billion, and the agricultural trade surplus widened to about \$15.7 billion. The surplus may widen to around \$20 billion in fiscal 1980.

Export Growth to Continue in Fiscal 1980

U.S. agricultural exports are expected to total between \$35 and \$40 billion. The export volume of major bulk commodities is expected to increase about 14 percent.

Feed grain exports are expected to increase 10 million tons to about 71 million tons. Production shortfalls in several regions and anticipated expansion in livestock industries are the causes of the expected strong growth. Shipments to the USSR are likely to continue very large. Sharp increases are forecast to Japan, Taiwan, Korea, Iran, Spain, and Eastern Europe. Shipments to the EC may increase slightly.

An increase of about 9 percent is expected for soybean exports. Increased shipments are expected to Eastern Europe, Japan, Canada, Mexico, Taiwan, and Korea. Shipments to the EC may increase, but more slowly than in fiscal 1979.

Wheat exports are expected to increase about 18 percent to 38 million tons. Shipments to the USSR, Eastern Europe, North Africa, and Portugal are expected to expand substantially in fiscal 1980. Shipments to West Asia, the developing countries of East and Southeast Asia, and the EC are also expected to be high. Shipments to China may decline.

Cotton exports may decline slightly from fiscal 1979's estimated 6.2 million bales. Shipments to Japan are expected to decline. Shipments to other East and Southeast Asian countries are expected to remain near the year-earlier volume.

Much uncertainty surrounds this forecast. The outcome of fiscal 1980 exports will depend largely on weather in the United States and abroad in upcoming months. Transportation capacity will be a crucial factor in determining whether a record export volume of grains and oilseeds will be achieved in fiscal 1980.

Fiscal 1979 Exports Up \$5 Billion

Exports increased about 17 percent to \$32 billion. Export volume of major bulk commodities rose 5 percent to about 128 million tons (tables 11 and 12).

Substantial value gains were achieved to all regions except North Africa. The sharpest increases were for China, Eastern Europe, and the developing countries of East and Southeast Asia.

Agricultural exports to the developed countries are estimated at \$17 billion, up from \$15 billion in fiscal 1979. Exports to developing countries increased from \$9.0 to \$10.4 billion. Shipments to the centrally planned countries were up two-fifths, to \$4.7 billion.

Imports Continue To Increase

U.S. agricultural imports are estimated at \$16.3 billion in fiscal 1979, 17 percent above last year. Meat imports are up about 15 percent in volume and 62 percent in value. Coffee imports are up around 26 percent in volume and 4 percent in value. Sugar imports were up about 15 percent in both volume and value. Gains are also anticipated for fruits, vegetables, rubber, cocoa, spices, and tea.

Fiscal 1980 imports are expected to increase slightly in value. Meat import value is likely to rise further, and gains are also expected for coffee, fruits and vegetables, sugar, and rubber. (*Sally Breedlove Byrne, 202-447-8261*)

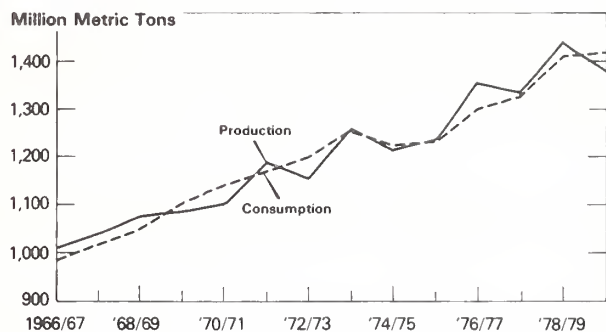
WORLD GRAIN SUPPLIES TIGHTER IN 1979/80

Total Grains

World grain production (including milled rice) is currently forecast at 1,383 million tons in 1979/80, about 4 percent below last year's record crop due to declines from last year's record-high yields (table 13). World grain supplies in 1979/80 are forecast to be down only about 1 percent because of carryin stocks of about 227 million tons.

World grain utilization is currently forecast to rise about 1 percent in 1979/80 to 1,421 million tons. This slight expansion is below the annual population growth rate and implies some reduction in per capita utilization.

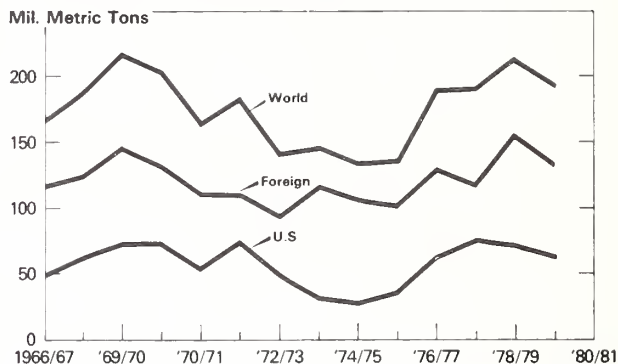
World Grain Production and Consumption



The production decline and the slight increase in utilization imply a substantial reduction in world carryover stocks for 1979/80. Carryout stocks of grain are forecast to decline about 38 million tons, or 17 percent. In 1978/79 world carryout stocks as a percent of utilization were 16 percent, compared to an 11.5 percent average for 1972/73 to 1974/75. For 1979/80, the carryout stocks as a percent of utilization are expected to drop to around 13 percent.

Poorer crop prospects in several key importing regions, especially Eastern Europe and the Soviet Union, will likely result in expanded world grain trade, forecast to increase from 175 million tons in 1978/79 to 191 million tons. With reduced crop prospects for Canada, Australia, the European Community, and India and transportation difficulties in Canada and Australia, the United States will likely supply the greatest part of the forecast increases in world imports in 1979/80. Record exports by the United States combined with fuel shortages and a severe winter could generate

World Grain Carryover Stocks°



transportation difficulties in the United States as well.

Reflecting the reduced grain production and stock drawdown, grain prices have risen in recent months. The export price for corn at the U.S. Gulf ports increased 33 percent between July 1978 and July 1979. Wheat export prices increased 30 percent over year-earlier levels.

Wheat

World wheat production is currently forecast at about 401 million tons, compared to 438 million tons in 1978/79 (table 14). Much of reduction is due to shortfalls in Eastern Europe and the Soviet Union. Dry conditions have reduced production prospects in Canada and Argentina. The Australia wheat crop is forecast to be about 3 million tons below last year's exceptional crop. In the United States and in India record wheat crops are forecast for 1979.

World wheat utilization for 1979/80 is expected to increase slightly to about 421 million tons. This

World wheat production

Country	1976/77	1977/78	Estimated 1978/79	Forecast 1979/80
Million tons				
Canada	23.6	19.9	21.1	17.5
Australia	11.7	9.4	18.3	15.0
Argentina	11.0	5.3	8.1	7.7
West Europe	50.7	47.7	58.4	53.2
U.S.S.R.	96.9	92.2	120.8	85.0
East Europe	34.7	34.2	35.8	30.5
India	28.8	29.0	31.3	34.7
Others	99.5	89.5	95.6	99.7
Total Non-U.S. ...	356.8	327.0	389.6	343.4
U.S.	58.3	55.4	49.0	57.8
World Total	415.1	382.4	438.5	401.2

increase is roughly equivalent to the increase in world population and implies a stable world per capita consumption. Current world prices do not favor increased use of wheat in livestock feed. However, poor weather in some regions may have reduced the quality of the wheat. Reduced quality could result in increased feeding of damaged wheat to livestock.

World trade in wheat is forecast to rise to about 78 million tons in July-June 1979/80 from 72 million tons in 1978/79. The USSR is forecast to increase its wheat imports by nearly 6 million tons because of a poor winter wheat crop. Eastern Europe is expected to import 5.7 million tons of wheat compared to 3.9 million tons last year. Japanese and West European imports are forecast to increase slightly, while the PRC may take about ½ million tons less than in 1978/79 because of an improved wheat harvest. Exports by Canada and Australia are expected to increase due to large carryin stocks of wheat from 1978/79's record harvest and this year's forecast good harvests. Exports of wheat by Argentina are forecast to be down in July-June 1979/80 as a result of the dry planting weather. Indian exports of wheat are also forecast to be lower due to concern over the sporadic monsoon activity. United States exports are forecast at a record 38 million tons, 17 percent above last year.

Increasing demand and decreased production in 1979/80 result in an implied draw-down in world carryout stocks of 19 million tons to 87 million tons. Although carryout stocks in the United States will decline about 3.8 million tons, foreign wheat stocks are forecast to decline about 15.6 million tons. Ending stocks of wheat likely will be about 21 percent of utilization compared to 26 percent in 1978/79 and 18 percent in 1975/76.

Coarse Grains

World coarse grain production for 1979/80 is forecast at about 729 million tons, 3 percent below the record 1978/79 crop (table 15). Since most of the crops in the Southern Hemisphere are yet to be planted, the coarse grain production forecast must be considered tentative at this time. Current forecasts are for reduced crops in Western Europe, Canada, Australia, and Argentina. East European production is expected to total near 1978's outturn. The major decline is expected in the USSR, where production is forecast to decline from 105 million tons to 85 million. The U.S. coarse grain harvest may top 1978's record.

World coarse grain utilization is expected to increase slightly to about 743 million tons in 1979/80. Usage in Western Europe, Japan, and high income East Asian countries is forecast to expand modestly as livestock feeding continues to

World coarse grains production

Country	World coarse grains production			
	1976/77	1977/78	Estimated 1978/79	Forecast 1979/80
	<i>Million tons</i>			
Canada	21.1	22.3	20.2	18.2
Australia	5.0	4.3	7.1	5.8
Argentina	16.9	18.1	17.3	16.7
South Africa	10.3	11.0	8.3	9.9
Thailand	3.0	2.2	3.2	3.6
Brazil	19.4	14.4	16.9	19.1
West Europe	73.1	87.4	94.1	91.1
U.S.S.R.	115.0	92.6	105.3	85.0
East Europe	59.5	59.2	58.9	59.0
Others	185.5	188.0	200.1	199.4
Total Non-U.S. ..	508.7	499.6	531.4	507.8
U.S.	193.9	203.8	218.0	221.5
World Total	702.6	703.4	749.4	729.3

be strong. The majority of the reduction in usage is expected to occur in the Soviet Union, as a result of the 20 million ton coarse grain crop shortfall and increased wheat feeding.

The strong demand and reduced production is forecast to stimulate world trade. World coarse grain trade for July-June 1979/80 is forecast to be up about 10½ million tons, exceeding 100 million tons for the first time. Soviet imports are forecast to rise 11 million tons to 21 million tons. West European, East European, and Japanese imports are forecast to expand between ½ to 1½ million tons each. In 1978/79 the PRC was a major buyer of coarse grains. With a larger crop in prospect, China is expected to import about 2.5 million tons of coarse grains in 1979/80, 700,000 below 1978/79. Exports by Canada and Australia are forecast to expand in an effort to move stocks of barley. Argentina and South Africa are expected to export less. Brazil may export a small quantity of coarse grains in 1979/80 as production recovers from the previous two drought-reduced crops. Exports of coarse grains by the United States are forecast to rise from 57.1 million tons in 1978/79 to 71.2 million tons in 1979/80, an increase of 25 percent.

World carryout stocks of coarse grains are forecast to decline in 1979/80 to about 81.4 million tons. Stocks at this level are 10.9 percent of world utilization, compared to 12.9 percent last year and 9 percent in 1975/76. Carryout stocks in the United States are forecast to decline 6.5 million tons, while foreign ending stocks are expected to be 7.6 million tons lower.

Rice

World rice production (rough basis) for 1979/80 is forecast at 375 million tons, about 3 percent below last year's record outturn (table 16). The anticipated 16 percent drop in the Indian crop, resulting from the erratic monsoon, accounts for most of the reduction. Smaller crops are also

World rice production¹

	1976/77	1977/78	Estimated 1978/79	Forecast 1979/80
<i>Million tons</i>				
Bangladesh	17.6	19.5	18.8	18.3
Burma	9.3	9.5	10.5	10.1
India	62.9	79.1	80.8	67.6
Indonesia	23.3	23.3	25.9	24.6
Japan	14.7	16.4	15.7	14.6
Korea, Rep of	7.2	8.3	7.4	8.0
Pakistan	4.1	4.4	4.9	4.7
China	127.5	129.0	137.0	139.0
Vietnam	11.8	11.3	9.9	11.0
Thailand	15.8	15.0	16.3	16.5
Sub-Total	294.4	315.8	327.1	314.4
EC-9 .....	.9	.7	1.0	1.0
Australia .....	.5	.5	.7	.7
Argentina .....	.3	.3	.3	.3
Brazil	8.0	7.5	7.8	9.0
All Others	40.6	40.9	39.8	43.2
Total Non-U.S. ..	344.7	365.7	378.7	368.6
U.S.	5.2	4.5	6.1	6.1
World Total	350.0	370.2	384.8	374.8

¹ Rough basis.

VERY LARGE SUPPLIES OF MEALS AND OILS LIKELY IN 1980

Production

World production of protein meals (44 percent soy meal equivalent) and total fats and oils output are forecast to be new records in 1978/79¹ and above their 1965-79 trends by 6 and 3 percent, respectively. For 1979/80, much larger increases in production of both protein meals and fats and oils are forecast, bringing output to levels which are 16 and 7 percent above 1965-79 trends, respectively. Large increases in the 1979 U.S. soybean, cottonseed, and sunflower crops are expected to lead the growth as an 18 percent rise in U.S. potential production of protein meals accounts for over 60 percent of the anticipated increase in world production of protein meals for 1979/80. Growth in foreign production for 1979/80 also is expected to be very large. Canadian farmers are expected to increase the rapeseed crop considerably in 1979 despite poor growing conditions. Brazilian soybean production could increase a fourth in 1980 with a return to normal weather after two consecutive sea-

¹The split year refers to slightly different periods for production and stocks and for trade. For example, for 1978/79 production of meals and oils, oilseed crops harvested in the fall of 1978 and the spring of 1979 are combined with 1979 calendar-year output of products of coconut, palm, and fish. Stock changes and U.S. trade relate to the U.S. marketing year, from October 1978 to September 1979 for meal and oil and from September 1978 to August 1979 for soybeans. All trade other than of the U.S. is for the 1979 calendar year. Of necessity, consumption estimates are computed from production and trade figures referring to different periods.

expected in Indonesia, Japan, Bangladesh, and Burma. Thai rice production is forecast to increase about 200,000 tons.

World rice trade (milled basis) in 1980 may about match 1979 shipments. U.S. rice exports are forecast to rise from 2.4 to 2.6 million tons, while those of other exporters are forecast to decline 400,000 tons. Thai rice exports may drop slightly, and exports of Burma, Italy, and Pakistan are expected to decline. The 1980 rice trade situation will be heavily dependent on the magnitude of Indonesia rice imports and the extent of exports under the Japanese rice surplus disposal program.

World carryout stocks of rice (milled) are forecast to decline to around 21.3 million tons from 25.6 million last year. All of the decline is in rice stocks outside the United States. Despite a slight decrease in U.S. rice production, carryout stocks in the U.S. are forecast to rise 100,000 tons. (Philip Paarlberg, 202-447-8646).

sons of severe drought. Argentine soybean production is expected to continue its rapid expansion. Expected decreases in production are

Selected northern hemisphere oilseed crops

	Estimated 1978/79	Forecast 1979/80	Percentage change
<i>Million tons</i>			
U.S. soybeans	50.2	59.2	18
U.S. sunflowers	1.8	3.3	83
U.S. cottonseed	3.8	5.0	32
U.S.S.R. sunflowers	5.3	5.3	0
Canadian rapeseed	3.5	3.9	11
Indian peanuts	6.2	5.8	-6
Senegalese peanuts	1.1	1.2	9

Selected southern hemisphere oilseed crops
and continuous production crops

	Estimated 1978/79	Forecast 1979/80	Percentage change
<i>Million tons</i>			
Brazilian soybeans ..	11.0	13.5	23
Argentine soybeans ..	3.8	4.5	18
Malay palm oil	2.1	2.4	14

World total production

	Estimated 1978/79	Forecast 1979/80	Percentage change
<i>Million tons</i>			
High protein meals	83.8	95.7	14
Total fats and oils	54.8	59.1	8
Edible vegetable oils	37.6	41.6	11

few and include small reductions in the rapeseed crops of Europe and a small decline in the Indian peanut crop.

Prices and Disappearance

In spite of abundant supplies of protein meals and vegetable oils in 1978/79, prices were consistently above those of the previous year (table 17). The 1978/79 average U.S. farm price for soybeans is estimated to be up 15 percent. In addition, U.S. soymeal and soyoil stocks² are estimated to have changed little. Apparent world consumption (world production adjusted by the change in U.S. soy stocks) of protein meals and edible vegetable oils increased by 7 and 6 percent, respectively.

Continuing increases in pork and poultry production are the basic factors underlying the continuing increase in the level of world protein meal use. The rather large 7 percent increase in apparent world consumption of protein meals for 1978/79 occurred in spite of a number of negative factors. The feeding of manioc in the European Community with its associated increased need for protein meals decreased during 1978/79 due to reduced availabilities from Thailand. The dollar price of soymeal was up about 15 percent in 1978/79, and depreciation in the dollar's value relative to the currencies of major importers did not offset fully the price rise as in the previous year. Also, real economic growth slowed slightly in the OECD countries in 1978/79. Livestock product prices generally rose less rapidly than feedstuff prices and actually declined in some EC countries. Nonetheless, declining feeding margins in the EC, which were most severe for pork and eggs, did not stop the increase in pig numbers, and pork production increased to a cyclical peak in mid-1979. Another factor supporting the increased demand for protein meals in 1978/79 was the long cold winter and late spring in Europe. Significantly increased demand for compound feeds for dairy cattle resulted.

Forecast supplies of meals and oils for 1979/80 are even more abundant than in the previous two

²Including the meal or oil content of soybean stocks.

Meal and oil production, consumption and stocks

	Preliminary 1977/78	Estimated 1978/79	Forecast 1979/80
<i>Million tons</i>			
World production			
meals	79.7	83.8	95.7
Change U.S. soymeal			
stocks (market yr.) . . .	+1.2	0	+3.8
Apparent world meal			
consumption	78.2	83.8	91.9
World production			
edible vegetable			
oils	35.5	37.6	41.6
Change U.S. soyoil			
stocks (market yr.) . . .	+3	+1	+1.1
Apparent world			
vegetable oil			
consumption	35.2	37.5	40.5

years. Some increase in U.S. soy stocks and some downward pressure on prices are likely. As the size of the record 1979 U.S. soybean crop became apparent, prices declined somewhat from the peak levels of late June. At the same time, grain prices are expected to be up in 1979/80. Abundant supplies and lower prices will encourage consumption of protein meals and vegetable oils. Apparent world consumption of protein meal and vegetable oils is forecast to increase almost a tenth in 1979/80.

The strongest expansion in protein meal use will probably be achieved in the developing and centrally planned countries. Continued slow economic growth in the developed countries may restrain demand for livestock products. In the EC, which uses almost a fourth of the world's protein meal, only a small increase in the livestock base is expected in 1979/80.

Strong export demand for U.S. soybeans and products continued until the summer of 1979, decreasing slightly thereafter. Marketing year 1978/79 exports of soybeans, soymeal, and soyoil rose about 9 percent each to 20.7, 6.1, and 1.02 million tons, respectively. The 1979 Brazilian shortfall will shift U.S. disappearance towards the first half of 1979/80. South American supplies of soybeans and soymeal will be largely depleted very early in the year, leaving the U.S. the only supplier through March. U.S. soybean, soymeal, and soyoil exports are forecast at 22.5, 6.4, and .91 million tons, respectively. (Gene R. Hasha, 202-447-8380)

WORLD BEEF PRODUCTION OFF, BUT HERDS ARE GROWING

Production in the world commercial meat economy is expected to continue rising in 1979 in spite of declining beef output. Cattle herd liquidation is ending in the United States and Canada, and numbers appear to be approaching a bottom in Argen-

tina and Australia. Cattle numbers in the European Community are relatively stable. They will continue to decline in Mexico. Pork and poultry production is on a rising trend in many countries, more than offsetting the declines in beef output.

Pork and poultry output is expected to increase more slowly in 1980.

In the United States lower meat and livestock prices during the last half of 1979 reflect larger meat supplies and lagging consumer income. Per capita supplies of total meat are expected to run 6 to 8 percent above first half and 3 percent above year earlier levels. Pork production for 1979, at near-record levels, could be 14 to 15 percent above 1978, with a 20 percent increase in the second half. However, beef production during the last half of 1979 may be down 15 percent from a year earlier. Fed cattle slaughter is below year-earlier levels, while slaughter of cows and calves is well below. Heifers are being held back for beef cow-herd replacements, suggesting that herd rebuilding is underway.

Beef production in Mexico in 1979 is expected to be down 2 percent from year-earlier levels because of a reduced cattle herd and the effect of large 1978 exports of feeder cattle. Borders were temporarily closed to beef exports by the Mexican Government in mid-January.

The 56 million pound shortfall in Mexican shipments of meat to the U.S. subject to the 1964 Meat Import Law has resulted in new allocations for 6 countries. On September 5, authorization was given to Australia to increase shipments by 15,500 tons. New Zealand's allocation was increased 6,400 tons, and the remainder of the new allocations went to Costa Rica, Nicaragua, Honduras, and Haiti.

In the European Community meat production is expected to rise about 2 percent in 1979, with beef steady and other categories gaining. Per capita 1979 consumption of pork and poultry (33 and 13 kg.) is expected to continue a steady rise, while beef and mutton (26 and 3 kg.) are basically unchanged. Per capita consumption of total meat should reach 76 kg. this year. Current pork supplies are abundant but the expansion is expected to slow in the last quarter of 1979.

In Canada, slaughter of cows and heifers has dropped sharply, and the cow herd is expected to be up by mid-1980. Calf slaughter for the first half of 1979 fell more than 37 percent on a year-to-year

basis. Total cattle slaughter for the same period was down 16 percent. Beef production dropped 11 percent, indicating a large proportion of heavy steers in the slaughter mix.

Argentina continued to liquidate its cattle herd in the first half of 1979. Whether this liquidation will continue in the second half is unclear. Cattle slaughter in the first 6 months was 3 percent above a year earlier, but August marketings dropped. Beef production for 1979 is expected to total 3.1 million tons, 1 percent below 1978. Beef exports are expected to be 720,000 tons (carcass weight), 20,000 tons below last year. With lower beef production and near year-earlier exports, per capita consumption of beef in Argentina would be expected to show a small decline from 1978.

The slaughter of cattle in Australia in the second quarter dropped well below year-earlier levels. It is expected that the liquidation rate will slow and cattle numbers may bottom out in late 1979. End of year cattle numbers may be near 25.7 million. Total beef production in 1979 is expected to be around 15 percent below last year. Even with the large drop in beef production, exports are expected to be down only 4 to 5 percent. Shipments to the U.S. slowed in June and July, following record exports in May. However, the 390,000-ton allocation to the U.S. for all of 1979 should be met.

Meat production in the USSR is expected to exceed the 1978 record of 15.2 million tons but will be well below the planned level. Milk production will show little change or possibly a slight drop as poor forage conditions in the European USSR are resulting in a drop in output per cow. Also, herd liquidation could cause a drop in pork production in 1980 if grain imports and stock drawdown fail to offset reduced grain production.

In Central America, beef production is expected to continue to rise and is expected to be 4 percent above a year earlier. The higher beef production anticipated would increase domestic consumption and exports, with exports likely to increase by a greater percentage. Attractive U.S. prices should encourage most countries to fill their voluntary restraint level. (*Donald W. Regier*, 202-447-9160, and *Gerald R. Rector*, 447-8260)

SUGAR OUTPUT LIKELY BELOW CONSUMPTION

World sugar production in 1979/80 is expected to range between 88 and 92 million tons (raw value). Production at the midpoint of the range would be less than the expected consumption of 91 million tons, implying a reduction in presently large world stocks. The predicted 1979/80 world output means

a likely decrease from the 1978/79 level, now estimated at 91.3 million tons (table 18).

In 1979/80, several large sugar-producing countries are expected to limit sugar output to conform with their International Sugar Agreement export quota obligations: Australia, Brazil, and South

World centrifugal sugar production and consumption and 1965/66-1978/79 linear trend

Year	Production		Consumption	
	Actual	Trend	Actual	Trend
	Million tons			
1969/70-1971/72	70.9	72.3	73.0	72.1
1975/76	81.6	83.6	79.3	81.7
1976/77	86.2	85.8	83.0	83.6
1977/78	92.4	88.1	86.2	85.6
1978/79	¹ 91.3	90.4	89.0	87.5

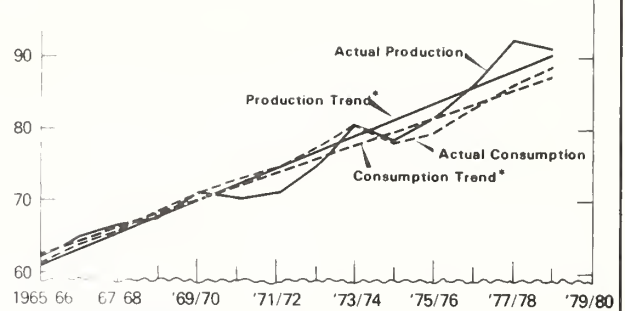
¹ Preliminary.

Africa among others. However, the prospective decline in world output is based mainly on anticipated lower output in Europe and the USSR, as a result of poor or less favorable weather than last season. U.S. sugar production is also likely to be lower as beet sugar output has been curtailed by the closing of beet processing factories and by some weather problems. Output may increase moderately in Mexico, China, and the Philippines. Cuba reportedly is expecting a record harvest.

The London price for raw sugar (Caribbean basis) averaged 8.85 cents a pound in August 1979, 25 percent above the August 1978 price of 7.08 cents. The world stocks drawdown expected in

World Production and Consumption of Sugar

Mil. Metric Tons



* Based on 1965/66 - 1978/79 production and consumption

USDA

Fig. ESCS 697-78 (g)

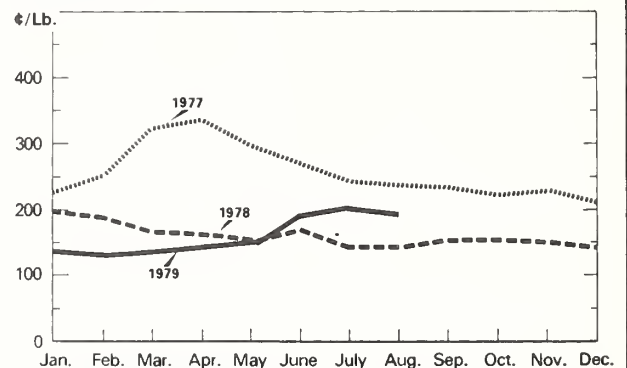
1979/80 (the first reduction in world stocks since 1973/74) could further strengthen prices in the coming months. However, the record-large stocks level (equivalent to over 30 percent of estimated annual consumption) at the start of the 1979/80 season indicates a large sugar supply that will moderate potential price increases. (Robert D. Barry, *National Economics Division*, 202-447-7134)

COFFEE PRICES UP, COCOA PRICES DOWN

The 1979/80 world coffee crop is forecast at about 80.2 million bags (60 kilograms each), 3.3 million more than last season (table 19). Exportable production (total harvested output less domestic consumption in producing countries) is estimated at 60.1 million bags, an increase of 2.2 million. Brazil's output is forecast at around 22.5 million bags, some 28 percent of the world total, and up 2.5 million bags or 12.5 percent from 1978/79. While the Brazilian freeze of May 30-June 1 did not materially affect the 1979/80 crop, the 1980/81 crop is now forecast at 20 to 22 million bags, down from the pre-freeze potential of 26 to 28.5 million. Coffee output could increase nearly 2 percent in Central America. Colombia's crop could be slightly larger than last season. African production could be up 5 percent, but Asian crops are not expected to change much from 1978/79.

Green coffee prices started to swing up in March 1979, reflecting a resurgence in world coffee demand, particularly in Europe and Japan. News of the Brazilian freeze and significant damage to 1980/81 production prospects helped to push green coffee prices higher. The International Coffee Organization composite price for coffee (the four

Coffee Price *



* International Coffee Organization composite price

USDA

Fig. ESCS 2501 79 (B)

major varieties) averaged \$1.94 a pound in August 1979 compared with \$1.44 in August 1978 and \$1.31 in February 1979.

World cocoa bean production in the October 1978/September 1979 season is now estimated at 1.48 million tons, slightly below last season's 1.50 million (table 20). The Ivory Coast and Brazil had

bumper harvests, but harvests in Ghana and Nigeria are at their lowest levels in 20 years.

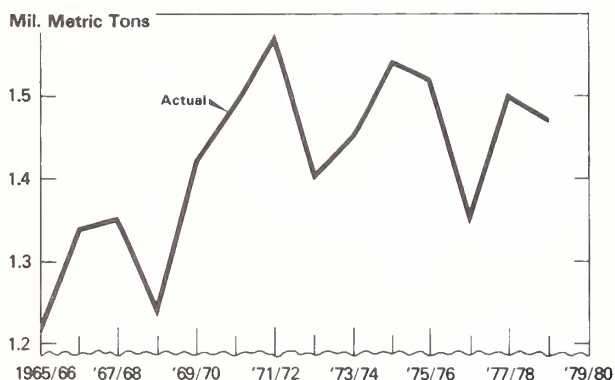
World cocoa bean grindings in 1979 are forecast at 1.4 million tons, up from 1.38 million last year. A world stock increase of 57,000 tons is expected,

World cocoa bean production and consumption

Year	Production	Consumption
Million tons		
1969/70-1971/72	1.50	1.45
1975/76	1.52	1.52
1976/77	1.35	1.36
1977/78	1.50	1.38
1978/79	¹ 1.48	1.40

¹ Preliminary

World Cocoa Bean Production

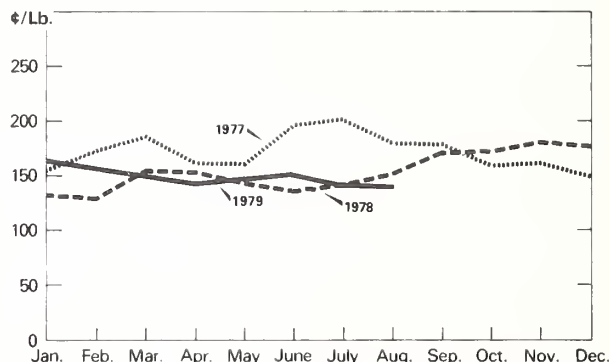


USDA

Neq. ESCS 2261 79 (9)

compared with an increase of 107,000 in 1978. Cocoa consumption has been limited in recent years by high prices, the use of cocoa substitutes and extenders, and the shift toward more non-chocolate confectionery products. U.S. cocoa bean imports in the first half of 1979 were about 10 percent below last year.

Cocoa Price*



* Average of nearest three active futures trading months on New York Cocoa Exchange

USDA

Neq. ESCS 2262 79 (9)

The New York cocoa bean futures price averaged \$1.63 a pound in January 1979, declined to \$1.40 in July, and averaged \$1.36 in August. With indications of a potentially large world crop in 1979/80, cocoa prices will likely fall further. (Robert D. Barry, National Economics Division, 202-447-7134)

LARGER COTTON PRODUCTION LIKELY

World cotton production for 1979/80 is forecast to increase to 64.1 million bales. This is above expected consumption and would allow a buildup of world stocks of 1 to 2 million bales above last season's 21.6 million (table 21). The anticipated production increase derives largely from prospects for increased yields. World consumption, clouded by uncertainty over the extent of the world economic slowdown, may remain fairly stable or decline slightly.

The outlook "A" Index (average of the 5 lowest-priced of 10 selected growths, c.i.f. Northern Europe) reached 79.4 cents a pound in November 1978, declined through April to 73.5 cents, then increased slowly each month to 77 cents in August.

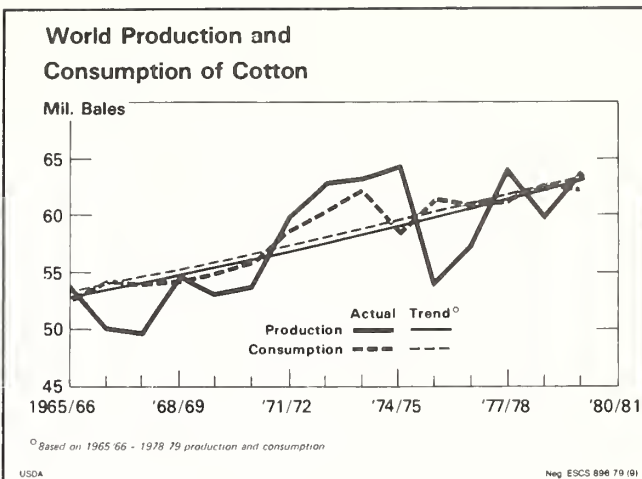
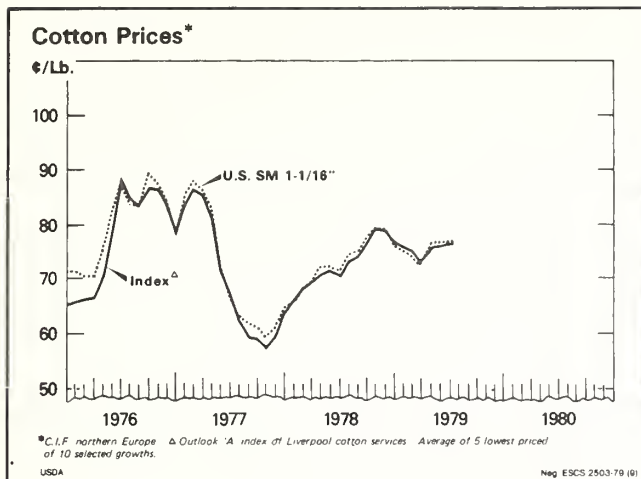
World cotton output is predicted to be up 7 percent from 1978/79's 59.7 million bales (table 22). Much of the gain results from a 31 percent increase

in U.S. output to about 14.2 million bales. U.S. yields may be up about 25 percent and area up 5 percent. Foreign production is expected to increase 2 percent to about 49.9 million bales. Larger yields

World cotton production and consumption and 1965/66-1979/80 linear trend

Year	Production		Consumption	
	Actual	Trend	Actual	Trend
Million 480-lb. bales				
1969/70-71/72 ..	55.5	56.0	56.4	56.6
1975/76	54.0	60.0	61.1	60.5
1976/77	57.4	60.8	60.9	61.2
1977/78	64.0	61.6	61.1	62.0
1978/79	¹ 59.7	62.4	¹ 62.9	62.8
1979/80	² 64.1	63.2	² 62.4	63.5

¹ Estimate. ² Forecast.



are expected in Pakistan, the USSR, and China. Cotton area increased slightly in the USSR and India. Output is likely to decline in Egypt, India, Iran, and Nicaragua. Cotton consumption is forecast to be up 1.5 percent in the EC, but in Asia demand may dip slightly. U.S. mill use is likely to decline marginally from last season's 6.3 million bales.

World stocks should rise in 1979/80, mostly from an increase in U.S. stocks which are predicted to be up about 2.1 million bales to 6.1 million. World cotton exports may remain near the 19.9 million bales of 1978/79. Higher exports from other suppliers are expected, but U.S. cotton exports may decline slightly to around 6 million (480-lb.) bales (table 23). (David B. Young, 202-447-7590)

REGIONAL AGRICULTURAL DEVELOPMENTS

United States

Total U.S. crop output in 1979 is expected to be record high. Favorable summer growing conditions offset the impact of a late spring. Output of food grains, oil crops, and cotton will all be substantially larger while feed grain and hay production are about unchanged from last season. If weather conditions remain favorable through harvest, crop supplies will be large enough to support both expanded domestic use and larger exports during 1979/80.

Crop prices rose sharply during the first half of 1979 as it became evident that crop prospects in several Northern Hemisphere countries were deteriorating, especially in the Soviet Union. Total grain exports rose about 8 percent during 1978/79. The increase during 1979/80 may be twice this large to meet the needs of overseas buyers. Thus, even with expanding crop production this year, prices of most grains will likely only show moderate seasonal weakness during the fall harvest, continuing about 10 percent higher than last fall's prices.

Less Beef, But More Pork And Poultry in the Outlook

The cyclical downturn in the cattle cycle during the past several years is causing a 13-percent reduction in beef production this year. Cattle producers are beginning to take steps to expand the herds, thus holding down the supply of cow beef. Fed beef production is also declining this year even though cattle prices have risen. Beef production will be about the same as a year earlier in the first half of 1980.

Pork production will be up about 20 percent in the second half of 1979, following an increase of 10 percent during the first half. Higher hog prices in 1978 encouraged the expansion, but lower prices this fall and in 1980 will result in smaller pork supplies late next year.

Broiler production will be up 10 percent this year. However, higher production costs and anticipated lower broiler prices will slow the expansion in 1980.

Milk production is edging higher with most of the increase coming in the second half. Milk prices are 10 to 15 percent higher this year.

Prices of slaughter livestock rose sharply during the winter and spring. In recent months, however, prices have weakened and little improvement is anticipated this fall. Larger meat supplies and the economic slowdown have dampened livestock prices. For the year, farm prices of livestock and products are averaging 15 to 20 percent above 1978.

Higher crop and livestock prices are boosting farm income. Production expenses are rising but net farm income is still expected to be about \$2 billion or more above last year's \$28 billion. (A. Donald Seaborg, 202-447-8676)

Western Europe

Grain Situation

Present indications are that the 1979 grain harvest in Western Europe will be about 6 percent below the 1978 record. Wheat output is expected to dip 8 percent to 53 million tons, while coarse grain production at 91 million tons is down 3 percent from 1978. Grain yields were adversely affected by the long cold winter, excessively wet spring, and dry summer. In several Northern countries planting of spring crops was delayed due to spring frosts. The 1979 harvest is expected to supply large quantities of grain for animal feed and continued exports of wheat and barley. However, because of the poorer wheat crop, imports of higher quality wheat for blending purposes should increase. Sugar output in the EC in 1979 is estimated at about 11 million tons (refined basis), about 8 percent below last year. Total beet area was virtually unchanged, with increases in the U.K. and Italy (both deficit producers) offset by declines in West Germany, France, and Denmark.

Livestock Outlook

Moderate increases in the production of most livestock products are expected in 1979. Total output of red meat and poultry will be up about 2 percent, with gains largely in pork and poultry meat. Feeding margins for pork and poultry were narrowed in 1979 and are not likely to improve in 1980. EC hog numbers are expected to decline in 1980, reflecting a peaking of the hog cycle. Only moderate expansion in feeding activity can be expected in Western Europe for 1979/80, but limited availability of manioc should contribute to greater utilization of grain for feed.

U.S. Agricultural Exports

U.S. agricultural exports to Western Europe in fiscal 1979 totaled an estimated \$9.8 billion, almost 13 percent above the 1978 level of \$8.7 billion. The increase is attributed mainly to higher commodity prices. In volume, U.S. coarse grain exports

declined a tenth, reflecting bumper 1978 European harvests. U.S. shipments of wheat and soybeans were near 1978 levels. In fiscal 1980, U.S. shipments of wheat should expand because unfavorable weather has affected the quantity, and possibly the quality, of the current West European wheat crop. Because only moderate expansion in the EC livestock industry is likely and imports of low-protein feedstuffs are decreasing, U.S. soybean exports to the EC may decline somewhat, but coarse grain exports are expected to increase. Both soybean and coarse grain shipments to other West European countries are expected to increase due to continued growth in their livestock industries.

Recent Policy Actions

The EC Council of Agricultural Ministers increased 1979/80 farm commodity support prices 1.5 percent. The increase applies to all farm commodities except milk under the Common Agricultural Policy (CAP). Milk support prices were not changed. The support price increase of 1.5 percent is small compared with average annual increases of 6 percent in recent years. However, prices at the farm are also affected by "green currency" rates, which are used for conversion between European Currency Units and national currencies in all financial and commercial transactions covered by the CAP. The Council devalued the Italian green lire 4 percent, the British green pound 5 percent, and the French green franc 1.5 percent. As a consequence, this year's support price increase, in conjunction with these green currency devaluations, should push average EC farm level support prices up about 6.5 percent. The CAP's high prices relative to world levels have resulted in chronic surpluses of several farm products, and the cost of buying up commodities to support the high prices is growing. (Marshall H. Cohen and Harold A. McNitt, 202-447-8054)

Other Developed Countries

Japan

Rice production is estimated at 10.65 million tons in 1979, down 7 percent from 1978. Total domestic disappearance is forecast at 10.0 million tons, and an additional stocks buildup is likely. The average producer rice price was increased only slightly in 1979. A differential pricing scheme was introduced to encourage production of higher quality rice and discourage production of less preferred grades.

Under its surplus disposal program, Japan expects to export 250,000 tons (brown basis) of rice to South Korea, 200,000 tons to Indonesia, and 165,000 tons to Bangladesh for delivery through February 1980 and at prices ranging from \$230 to

\$280 per ton. Further sales to Indonesia may be possible, and Peru is a potential market.

The February 1979 livestock census showed increases in the inventories of all major categories of livestock except layers. The product price to feed price ratio continued favorable through the first five months of 1979. Feed prices apparently bottomed out in April after falling steadily since August 1977. Product prices were generally strong through the first half of the year.

Formula feed production is expected to continue its expansion in the next 12 months, increasing about 5.5 percent to almost 23 million tons. The biggest gain is expected for swine feeds.

U.S. agricultural exports to Japan totaled close to \$5 billion in fiscal 1979 and may reach \$5.4 billion in fiscal 1980. (*William T. Coyle*, 202-447-6809).

Canada

Dry weather during July and an August cold snap affected yields of wheat and coarse grains in the Canadian prairie provinces. As a result, wheat production is expected to decline 17 percent to 17.5 million tons. Nonetheless, supplies will be plentiful as carryover stocks of about 5 million tons were the largest since 1976.

The Ontario corn crop promises to be a large one with both acreage and yields on the high side this year. A generally warm and wet growing season has favored crop development.

The Canadian Grain Commission recently reported August 1978-July 1979 wheat and flour exports of 13.4 million tons, compared with 16.0 million last year. Transport difficulties limited exports.

Rapeseed is rapidly becoming an important export crop for the prairie provinces. More than 3 million acres were planted this year, about a sixth more than in 1978. A harvest of nearly 4 million tons is expected.

Canada's beef production was down 10 percent in the first eight months of 1979. The number of cattle slaughtered was off 14 percent, but carcass weights were heavier. Female slaughter was down dramatically as the herd rebuilding process is taking place. On July 1, the national cattle herd was the same size as a year earlier. The Canadian calf crop the first 6 months of 1979 was 1 percent less than a year earlier, implying that fed steer and heifer slaughter will be relatively light for another 1 to 2 years. Slaughter cattle prices are not expected to change greatly in the balance of 1979.

Hog production in Canada grew steadily in the 1975-78 period, as a number of large feeding operations were established in Quebec. This was followed by a sharp upswing nationwide in 1979. For the first 8 months of this year, slaughter was up 21

percent. Hog prices in the low \$30's (U.S. dollars, liveweight basis) are expected for the final quarter. The rate of increase in slaughter is expected to lessen in the fourth quarter of 1979 and the first quarter of 1980. (*Charles W. Porter*, 202-447-8860)

Australia

Australian farmers responded to improved profit expectations by expanding the area sowed to wheat, partly at the expense of the coarse grain area which was reduced.

Soil moisture conditions were generally adequate for planting in May and June. However, a dry spell followed, and only recently have rains improved growing conditions. Additional moisture is needed in many areas. A 15-million-ton wheat crop is forecast, 18 percent below last year. Liberal supplies will be available for export and domestic use. Coarse grain production is expected to be less than last year but adequate for domestic and export requirements.

Australian beef and veal production is expected to be down 10 to 13 percent this year with a similar decline anticipated for next year. Cattle and calf slaughter has been off substantially but the cattle cycle has continued downward. Additional cutbacks in slaughter are necessary to turn the cycle around and expand future production. This turnaround is anticipated in 1980, about one year later than in the United States.

Production of lamb, mutton, and pork is expected to increase by only a small amount next year. These gains will not be sufficient to offset the declines in beef and veal. Consequently, total meat production is expected to be reduced in 1980. (*Allen O. Johnson*, 202-447-8229)

USSR

A severe drought in the USSR this May and June, primarily in the eastern half of the Ukraine and stretching across the Volga valley and North Caucasus to the Urals, reduced Soviet grain production potential well below the 226.8 million tons planned. A complete grain crop failure was averted, however, by generally well-above normal moisture supplies in European USSR prior to the drought and by the bumper crop prospects in Kazakhstan and Siberia.

With grain harvesting almost 80 percent complete in the USSR as of September 10, USDA's estimate of the Soviet crop stands at 180 million tons, including 85 million tons of wheat, 85 million tons of coarse grains, and 10 million tons of pulses and miscellaneous grains.

On August 1, 1979, USDA announced that the Soviets could take up to 10 million tons of wheat through September 1980, with a maximum of 2

million tons of that to be available during August-September 1979, if the Soviets wish. Further grain trade discussions are to take place in early October.

Based on current estimates of grain production, stock drawdown, and current livestock policies, the USSR is expected to import around 32 million tons of grain in 1979/80 (July-June)—11 million tons of wheat and 21 million tons of coarse grains. As the largest exporter with readily available supplies, the United States may supply about three-quarters of these needs, as in the previous year. In the third year of the Agreement (October 1978-September 1979), the Soviets imported around 18 million tons of grain. Of this, the U.S. supplied about 15.5 million tons—4 million of wheat and 11.5 million of coarse grains.

Unfavorable spring weather necessitated the replanting of an estimated 1 million hectares of the USSR cotton area this year, and cool temperatures in May and June caused some delays in plant growth. However, current improved conditions in the Soviet cotton belt, with favorable hot weather and abundant irrigation water this summer, point to a crop close to the 8.8 million tons planned. However, unfavorable harvest weather or an early freeze could reduce prospects.

The sugarbeet crop was adversely affected by cold, wet weather during planting and hot, dry conditions during plant development. Sugarbeet output in 1979 will likely be below both the planned 97 million tons and also the average 95-million-ton output of 1976-78. The sunflower crop may total near the reduced 1978 crop. Drought conditions adversely affected the crop this year as contrasted with excessive rain last year. Rainfall in July temporarily broke the drought but was too late to revive the crop significantly in some major growing areas. Additional stress on sunflowers was experienced during August.

Livestock inventories in the socialized sector as of August 1, 1979, continued to show gains for cattle, cows, and poultry—all at record levels for that date. Total cattle, at 92.3 million head, and cows, at 29.6 million head, were up 1 percent each. Poultry numbers, at 685.5 million head, were up 6 percent. Hogs, at 58.2 million head, were down slightly from the August 1, 1978 record level. Sheep and goats, at 142.3 million head, were down slightly from a year earlier and also below the record numbers on August 1, 1974.

Currently it is estimated that total USSR livestock inventories on January 1, 1980, will show a slight increase in total cattle but decreases in hog and poultry numbers. No appreciable change is foreseen in sheep and goat inventories.

USSR food industry output of meat (from Government-held supplies) during January-July 1979

rose 4 percent above the year-earlier period—reflecting the substantial increase in July output. Current indications point to a total Soviet meat output in 1979 of around 15.6 million tons—well below the 16.6 million tons planned but a new record. Total milk output is expected to show little change from the 94.5 million ton output in 1978 and will be well below the 98.6 million tons planned. Reduced forage supplies in the European USSR this spring and summer have reduced milk yields per cow. Output of eggs is expected to exceed the planned level of 65 billion eggs and reach a record. (*Angel O. Byrne*, 202-447- 8380)

Eastern Europe¹

Small grain and rapeseed harvests were nearing completion in August in the whole region. Compared with last year's output, it is estimated that the wheat crop will be down 15 percent; barley, rye, and oats combined by 13 percent; rapeseed by 38 percent. The cumulative effect of late sowing on a smaller area, high winterkill, spring floods, and the dry spell from May through mid-June reduced the yields. Only Bulgaria and Romania expect average crops, but heavy storms at harvest time caused some quality deterioration and losses in these countries too.

The outlook, however, is promising for the fall harvest of corn, sugarbeets, potatoes, sunflower, and soybeans. Corn replaced some plowed-under winter crops and its area increased by 6 percent in the Southern countries. The sown area of sunflower also increased slightly. The estimated 9 million ton shortfall in total regional small grain output is expected to be partially offset by a 2.5 to 3 million ton increase in corn production.

Midyear reports on livestock inventory are sporadic and often relate only to state or cooperative owned stock. Based on census or samples in Czechoslovakia and Poland, the number of hogs declined both in the private and socialized sector. In the Northern countries, the late start of grazing contributed to a decline in milk output.

Accelerated slaughter of hogs did not satisfy demand for meat in Poland; elsewhere, no meat shortage has been apparent. Despite a reduction in the livestock inventory, the demand for imported feed in the 1980 marketing year will be higher than in 1979, because of smaller domestic feed production. Estimated grain imports of 16.5 million tons will not adequately cover the requirement. Hard currency shortages and transportation problems are likely to act as constraints against fully covering the production shortfalls. Second crops for

¹Northern countries: Czechoslovakia, German Democratic Republic, and Poland. Southern countries: Bulgaria, Hungary, Romania, and Yugoslavia.

forages, sown on larger than usual area, will help to increase succulent feed supply which is expected to replace concentrated feed for ruminants. In addition, some improved efficiency in feeding practices is expected.

Lower grain output in Hungary and the USSR has deprived the Northern countries of some traditional import sources and increased their reliance on Western grain. U.S. grain exports to the region during January-July 1979 reached approximately 3.6 million tons, almost a quarter more than in January-July 1978. A shift from wheat and sorghum to corn occurred, with corn accounting for 86 percent of grain shipments. U.S. soybean shipments declined slightly to 400,000 tons. Soybean meal exports increased 50 percent to over 1 million tons.

To reduce price subsidies and bring prices to more realistic levels, Hungary increased all food prices in July by an average of 20 percent. Milk prices were raised by 50 percent and meat prices by 30 percent. Yugoslavia increased the minimum (protected) producer price of wheat by 17 percent, increased wholesale prices of flour by 38 to 52 percent and the retail price of bread by 10 percent, and forbade feeding of wheat to animals.

With the exception of the German Democratic Republic, prices of energy were increased sharply in all countries. The price increases of non-food products in Czechoslovakia and food price increases in neighboring countries resulted in some flour and sugar hoarding in Czechoslovakia. The Czechoslovak government, however, denies any intention of increasing food prices. The Northern countries are apparently reluctant to raise food prices despite the significant increase in production costs and resultant increases in state subsidies to maintain current retail prices. (*Thomas A. Vankai*, 202-447-8380)

People's Republic of China

China's 1979 plan calls for grain production of 312.5 million tons, 2.5 percent over the record 1978 crop. Although the ultimate outcome of this year's crop will depend heavily on the fall harvest, which supplies over 60 percent of annual grain production, China now appears likely to meet or exceed its grain production target. Production of most other crops is also expected to increase. Major factors behind the anticipated increase in production this year are better weather than that of the past two years, increased supplies of fertilizer and other inputs, and new incentive programs for farmers. The major potential problem for fall crops is vulnerability to an early onset of cold weather, as planting was late over much of China.

Wheat production is estimated at a record 48 million tons, up nearly 7 percent over last year. Both increased area and higher yields resulting from ample rainfall contributed to the rise in production. Output of other summer harvested grains, including barley, early corn, and pulses, was also up.

The early rice crop, which accounts for about 40 percent of annual rice production, appears to have been about equal to that of last year despite a 6-percent decline in area. Acreage reductions for this crop were the result of both temporary water shortages following last year's drought and more permanent shifts away from double cropping of rice.

Although early rice production did not increase, total rice production in 1979 should be at least 2 million tons above 1978's record crop of 137 million tons as the total of intermediate and late rice production is expected to be up. Higher yields are expected for these crops due to both improved weather and expanded use of hybrid varieties.

The important fall coarse grain harvest should also exceed that of last year. Above-normal rainfall has created good growing conditions in usually dry areas of northern China.

Prospects for this year's soybean crop are uncertain; whether area was increased again this year is not known, and the effects of weather in the Northeast, China's main growing region, have been hard to gauge. The crop is preliminarily projected to equal the good crop—10.5 million tons—of 1978. Oilseed production should be up this year, because the rapeseed crop was 10 percent above 1978.

Cotton area is off in 1979, but higher yields are expected to boost this year's crop by about 2.5 percent to 10.2 million bales. This is far below the 1979 plan target of 11 million bales, however.

The combination of higher grain production, higher world market prices, and payment pressures resulting from rapid growth of China's industrial imports is expected to hold down PRC grain imports during 1979/80 (July/June). Wheat imports during the year are expected to be 500,000 tons below the 8 million tons imported in 1978/79. Coarse grain imports are projected to drop from 3.2 million tons in 1978/79 to 2.5 million during 1979/80. A considerable range of uncertainty still surrounds these estimates as only a fraction of these quantities has thus far been contracted.

PRC soybean imports have increased this year. Total imports of about 350,000 tons are expected during 1979, about triple the 1978 level. Part of this increase has been used to allow the PRC to rebuild traditional soybean export markets, particularly in Japan. Net Chinese imports for the year are expected to be about 100,000 tons, and a similar level is expected during 1980.

Because of low stocks, rising demand for textile fibers, and only slow growth in domestic cotton

production, PRC import demand for cotton is expected to remain high. Cotton imports during marketing year 1979/80 are projected at 2.2 million bales, compared with 2.3 million estimated for 1978/79. (*Frederic M. Surls*, 202-447-8380)

Asia

Most countries in Asia are experiencing good harvests as the result of generally favorable weather, but the region's total agricultural output may be down in 1979 because of lower rice and coarse grain output in India and a reduced rice harvest in Indonesia.

India's 1979/80 harvests of rice and coarse grains might be 10 to 15 percent below the bumper harvests of 1978/79. Monsoon rainfall from early July through mid-September was more than 25 percent below normal, and plants are suffering in many areas of India. Rice production reached a record 53.8 million tons during 1978/79, but the production estimate for 1979/80 has been reduced to 45 million tons. Coarse grain production might be about 10 percent below 1978/79's 30 million tons.

The current drought was too late to affect India's 34.7-million-ton wheat crop, harvested mostly during April and May. A dry September would leave inadequate supplies of irrigation water in the small lakes and many ponds used by Indian farmers to store water trapped during the monsoon season for use during the winter. This could cause some reduction in next spring's wheat crop.

India's 1978/79 food grain production (July-June) reached a record 130.5 million tons. Early indications of drought and reduced yields for rice and coarse grains suggest that the 1979/80 food grain output may not exceed 120 million tons.

India's wheat exports totaled about 1 million tons in 1978/79. Most of the shipments, repayment for a 1973 wheat loan from the Soviet Union, were made to other Asian countries. Even with the smaller crop, rice exports are expected to top 300,000 tons in 1979, including 150,000 tons to Bangladesh.

Pakistan received fairly good rainfall over most of the country during the 1979 monsoon season. Abundant water, increased availability of fertilizer, and a slight increase in area planted all contribute to prospects for a bumper rice harvest. If favorable weather continues, Pakistan is expected to harvest about 3.3 to 3.5 million tons of rice during 1979/80 compared with 3.27 million during 1978/79. Pakistan will export about 1.1 million tons of rice during 1979 and 1.2 to 1.5 million in 1980.

Political upheaval continues to plague agricultural production in *Afghanistan*. Because of the reduced wheat crop, Afghanistan is expected to import 500,000 to 700,000 tons of wheat. Recently,

Afghanistan signed an agreement with the USSR to import 200,000 tons from that country.

The *Bangladesh* food situation has improved substantially since June. The rice crop, despite getting off to a bad start because of extremely dry spring planting conditions, is now expected to reach 12.2 million tons, down only 300,000 from 1978/79. The improved rainfall conditions are likely to be especially beneficial for the wheat crop which depends heavily on adequate subsoil moisture. Because of greatly expanded area, the crop is now expected to reach 780,000 tons, up from 490,000 tons.

Current indications are that 1978/79 wheat imports will reach 1.6 million tons, with about 40 percent coming from the United States under PL 480. The spring drought and expected reduced rice harvest prompted the Bangladesh Government to contract for rice imports of close to 650,000 tons—about half on commercial terms. This is the highest level of rice imports since independence. Food grain stocks are now expected to total a comfortable 838,000 tons on December 31, 1979.

The *Philippines* will likely export about 200,000 tons of rice during 1979. Most of the rice is currently earmarked for Indonesia, with lesser amounts going to Malaysia and Brazil. Sales to date have all been for less than the production cost of \$310 per ton.

Insect damage has reduced *Indonesia's* 1979 rice output by about 400,000 tons. With nearly a third of the total annual rice crop still unharvested, production is estimated at 16.8 million tons, down 5 percent from the large 1978 crop. The shortfall will result in rice imports of 2.0 to 2.2 million tons.

In *Thailand*, the 1979/80 rice crop is now expected to reach a record 10.9 million tons (milled basis). The coarse grain crop is also expected to be a record 3.6 million tons, compared with 3.2 million in 1978/79. The possible record rice crop translates into large rice exports, which could reach 2.7 million tons in 1979, up more than a million tons over 1978. Coarse grain exports are likely to reach 2.1 million tons again.

In *Burma*, periods of below normal rainfall are likely to constrain 1979/80 rice production to about 6.6 million tons, 300,000 tons below last year's record crop. Rice exports are expected to reach 650,000 tons, about double last year's level.

U.S. agricultural exports to *South Korea* might reach \$1.5 billion in 1979—up from \$1.15 billion in 1978. U.S. corn and rice exports to South Korea may reach 2.6 million tons and 300,000 tons, respectively. While the 1979 rice harvest will be an improvement over the poor 1978 harvest, it may not be larger than Korean rice consumption, currently estimated at 5.8 million tons.

Malaysian palm oil production may reach 2.1 million tons this year, 16 percent above the

drought-reduced output of 1978. This larger production reflects better weather and expanded area in bearing trees. Palm oil output during January-June was about 960,000 tons, up more than 40 percent from the same period in 1978. Total palm oil exports should reach 1.9 million tons during 1979 with crude palm oil exports limited to about 620,000 tons by oil requirements of the rapidly expanding processing sector.

Taiwan's total agricultural production during 1979 is projected to grow by about 2 percent. The current rice crop is forecast at about 2.4 million tons, slightly above 1978. Taiwan's total grain imports may rise from 3.9 to 4.3 million tons in 1979. (*E. Wayne Denney*, 202-447-8107)

Africa and Middle East

North Africa

Agricultural imports of the Maghreb countries may total \$3.6 billion in 1979, led by 4.8 million tons of wheat worth about \$670 million. In Morocco and Tunisia wheat imports are at record levels because of insufficient rainfall; in Algeria and Libya rising petroleum revenues have increased the demand for all kinds of foods.

Morocco's cereal deficit of 2.4 million tons will necessitate imports of 1.8 to 2.0 million tons of wheat in 1979/80. Algeria's food imports may reach \$1.8 billion in 1979, the result of rapidly rising incomes and a relaxation of the Government's austerity policy. Wheat imports are estimated at 1.7 million tons. U.S. exports of wheat to the Maghreb countries are expected to recover in 1979/80 after a decline due to competition from the EC and Turkey.

Egypt's imports of wheat and flour during 1979 are likely to be in the 5.5 to 5.8 million ton range—up from 5.1 million in 1978. Wheat production increased about 73,000 tons to 2.07 million tons in 1979, but it takes about 300,000 tons of extra wheat each year just to take care of the population increase of approximately 1 million. Bread consumption is heavily subsidized.

Egypt's wheat and flour imports were valued at approximately \$700 million in 1978. Higher prices may cause the import value of these two commodities to reach \$900 million in 1979. Egypt's total agricultural imports are expected to rise to \$2.5 billion. U.S. exports of wheat to Egypt in early 1979 were sluggish, but our shipments of wheat and flour for the entire year should exceed the 1.65 million tons shipped in 1978.

West Africa

Much of the Sahel received considerable amounts of rainfall during the late summer (up to

100 mm.), providing much needed moisture for rainfed crops and rangeland which received ample moisture in May and June but below normal amounts in mid-summer. The long-term average for rainfall for the late summer/early fall has been reached in the Sahel, improving prospects for production of food grains and peanuts.

Elsewhere in West Africa, seasonally heavy rains fell in late summer, boosting annual accumulation to normal levels and enhancing prospects for a good crop. The northern regions of Nigeria and Ghana received much needed rainfall, but southeastern Ivory Coast remains dry. In Sierra Leone and Guinea, where rice production dominates, rainfall has been adequate, but pest infestations may reduce output.

East Africa

Kenya's agriculture faces a continuously growing challenge, exacerbated by the sharp oil price rise. Agriculture must provide increased food supplies for the rapidly growing population and it must also provide most of the foreign exchange earnings.

The coffee crop was damaged by excessive rains early in 1979 and the harvest for the current season could be as low as 68,000 tons. That would be the smallest crop since 1974. The outlook for tea is good, however, as a record 102,000 ton crop is forecast. The long rains were generally good this year and this is considered favorable for the corn crop. Corn stocks are large due to a good harvest in 1978. Sugarcane production continues to increase sharply. Kenya is expected to reach self-sufficiency in sugar this year.

Kenya's wheat production continues to stagnate. This year's harvest is estimated at 155,000 tons, but consumption is about 250,000 tons per year. Wheat imports may reach record levels of 80,000 tons or more during 1979/80. In July producer wheat prices were increased to \$198.66 a ton. White bread prices were increased to about \$.49 a kg.

Ethiopia has a serious food shortage because of the poor 1978 harvest, but plantings of the 1979 main season cereal crops to be harvested between November and January are expected to be normal.

The late arrival of the main season rains in Somalia delayed crops in the dry-land farming areas. Estimates for crop output have been reduced some 20 percent; food shortages and a need for food assistance may result.

In Sudan, timely and normal summer rains appear to have assured good sorghum and millet crops. Increased plantings could push cotton production well above the crop harvested last winter.

Southern Africa

Drought in most of the Southern African countries has resulted in crops generally lower than the good harvests in 1978. Several of these countries are experiencing unusually tight food supplies.

Estimates of South Africa's 1979 corn crop have been revised to 7.2 million tons, the poorest crop since 1970. Exports of corn in the current marketing year will likely be about 2 million tons.

South African wheat production for the year ending September 30, 1979 was 1.6 million tons, the lowest level in several years and below domestic consumption, estimated at about 1.74 million tons. Wheat consumption has been rather static since 1975. The Wheat Board's selling prices for wheat have increased by about 10 percent a year. When the consumer subsidy on white bread was removed earlier this year, the price rose sharply to the equivalent of \$0.33 a kilogram. White bread consumption fell sharply relative to brown bread which was subsidized at a price of \$0.21 a kilogram.

Middle East

In Syria dry weather through May reduced 1979 cereal harvests at least 20 percent from the good 1978 outturn of 2.47 million tons. Recent estimates of the total cereal crop run as low as 1.7 million tons; production of coarse grains, principally barley, is down about 40 percent.

Drought caused crop failure in Jordan, and it also caused some crops in Israel to be as much as 40 percent lower than the long-term trend. Further north, Turkey escaped crippling dry weather and harvested another excellent wheat crop. Turkish wheat exports are projected at about 1.5 million tons in 1979.

Iran's 1979 wheat crop is estimated at 5.5 million tons, somewhat larger than the 1978 harvest. Iran's wheat imports for 1979/80 are estimated at 1.3 million tons, most from the United States. Iran's rice crop is expected to be down, and imports are projected at 550,000 tons, most from the United States. (*Robert E. Marx*, 202-447-8966)

Latin America

Early-year drought conditions were relieved by rains which contributed to an improved outlook for 1979/80 crops in Brazil, Colombia, Ecuador, Paraguay, Peru, and Venezuela. However, current reports indicate that dry weather restricted mid-year plantings of wheat and other cereals in Argentina, and a delayed onset of the rainy season may reduce potential yields of feed grains and other late 1979 crops in some areas of Mexico and Central America. Recent hurricane activity is expected to result in serious crop damage in the Dominican Republic and other East Caribbean

islands but has provided improved moisture conditions in bordering areas.

The current situation indicates that low prices and export quotas under the International Sugar Agreement will continue to limit expansion of sugar, and Latin American beef output will be restricted because of reduction of cattle herds. The process of recovery in coffee production from the severe 1975 frost was set back by frost damage to the 1980 crop in Brazil. Production of grains is expected to continue near current high levels during the year ahead, further gains are anticipated for oilseeds, and some recovery in cotton output is expected in the principal exporting countries.

Agricultural export earnings through September 1979 are estimated up moderately from year-earlier levels because of increased sales of coffee, bananas, grains, and oilseeds and rising prices, particularly for beef and cotton. Latin American imports continued to reflect serious shortfalls in 1978/79 wheat production and strong demand for animal products and feedstuffs in the principal importing countries. January-July U.S. agricultural imports from Latin America increased from \$3.6 billion in 1978 to \$3.8 billion in 1979. However, the sharp rising trend in U.S. sales to Latin America was weakened by competition from Argentine grains, and exports rose only slightly during January-July, from \$1.6 billion to \$1.7 billion.

Argentina's 1979/80 wheat harvest is currently estimated at 7.7 million tons, down from 8.2 million. Plantings of other late cereals are estimated down slightly from a year earlier. Early indications suggest some shift from corn and sorghum to oilseeds and other crops. Total 1979/80 coarse grain production is forecast at about 16.7 million tons, down from 17.5 million. Further gains are in prospect for early 1980 oilseed crops; soybeans are expected to increase from 3.8 million to 4.5 million tons, and some recovery is anticipated for sunflower and cottonseed. During early 1979, cattle slaughter continued to rise in response to strong export demand, but reduction of cattle numbers will likely result in some decline in beef production in the year ahead.

Brazil's coffee prospects were dimmed by June frosts which damaged new trees in main producing areas, and the May-September 1980 harvest is currently estimated at about 1.26 million tons, down from the 1979 volume of 1.35 million. However, improved moisture conditions and incentives provided by Government programs encouraged a strong expansion in wheat plantings, and the late 1979 harvest is forecast at 3.5 million tons, up from 2.7 million. Further recovery is expected for soybeans, corn, rice, and cotton with early 1980 harvests currently projected at near-record volumes of 13.5 million, 19 million, 8.2 million, and 2.6 million tons, respectively. Brazil is continuing

some imports of corn and rice to meet current production deficits this year, and exports are expected to be limited through 1980.

Mexico's wheat plantings for the recent May-June 1979 harvest fell sharply, and production is currently estimated at 1.9 million tons, the lowest level of the past 20 years. However, the current and forthcoming harvests of sorghum and corn are expected to maintain a moderate rise in response to higher support prices. An abundance of irrigation water supplies prompted farmers to increase soybean plantings, and the fall harvest is currently forecast to range up to a record 650,000 tons. Because of strong demand for the feeds industries, 1979/80 soybean imports are expected to rise moderately from the 700,000 tons of the previous year.

Reduced stock levels are expected to contribute to record imports of wheat and feed grains, forecast at 1.5 million and 2.9 million tons, respectively.

In other Latin America, the agricultural outlook for 1979/80 reflects a general improvement in growing conditions through the Andean and bordering countries of South America which may contribute to moderate increases in production of coffee, cotton, grains, oilseeds, and the important food crops. Production will be adversely affected by recent changes in Nicaragua and the serious hurricane damage in the Caribbean, but production of food and export crops should continue some growth in other Central American and Caribbean areas. (Howard L. Hall, 202-447-8133)

WORLD FOOD AND TRADE POLICY DEVELOPMENTS

The United States approved the agreements concluded in the Tokyo Round of the Multilateral Trade Negotiations (MTN) by signing the implementing legislation, the Trade Agreements Act of 1979, on July 26, 1979. Formal ratification of the agreements by participating nations should proceed this fall with the agreements taking effect in January 1980.

Near-record U.S. wheat production this year and prospects for record level U.S. wheat exports in 1979/80 were factors considered in the U.S. decisions to remove production restraints from the 1980 wheat program and to allow the Soviet Union to buy up to 10 million tons of wheat through September 1980. Five million tons of corn are authorized for the fourth year of the agreement (Oct. 1979-Sept. 1980), a figure to be confirmed or expanded during the regular meeting of the 2 Governments in early October. The 5-year agreement between the United States and the Soviets requires them to purchase at least 3 million tons each of corn and wheat annually and allows them to buy a total of 8 million tons without consultation.

Another provision announced for the 1980 wheat program is an increase in the price-support loan

level from \$86 per metric ton for the previous 2 years to \$92. This higher loan level raises the farmer-owned reserve minimum release price for the 1980 crop year from \$121 to \$129 per ton and sets the "call" level at not less than \$161.

Trade Briefs

The Agricultural Trade Act of 1978 directed the establishment of 6 to 25 agricultural trade offices in major centers of commerce throughout the world. USDA's first such office was opened in London in May 1978. Office openings are planned in Hamburg, Warsaw, Bahrain, Seoul, Singapore and one in Miami, Florida, to serve Central America and the Caribbean.

Japan raised its duty-free import quota of feeder cattle from 6,000 head to 11,000 head for JFY'79 (April 1, 1979 - March 31, 1980). Under this quota the duty of 45,000 yen per head is waived for feeders weighing 350 kilograms or less. Allocated only to farm cooperative members in Japan, the quota was almost fully utilized in JFY'78 and is expected to be fully used this year. (Cecil Davison, 202-447-8840)

Table 1.--Real Economic Growth Rates in Major Developed Countries
(Percentage change at 1975 prices)

	: : 1974	: : 1975	: : 1976	: : 1977	: : 1978	: : 1979 Proj.*	: : July 1979-June 1980 Proj.
United States	: -1.3	: -1.0	: 5.5	: 4.8	: 3.8	: 2.0	: 0
Japan	: -.3	: 1.4	: 6.4	: 5.2	: 5.8	: 4.8	: 4.5
Canada	: 3.7	: 1.2	: 5.8	: 2.9	: 3.5	: 4.0	: 3.0
Germany	: .5	: -2.1	: 5.6	: 2.8	: 3.0	: 4.0	: 3.0
France	: 3.2	: .3	: 4.6	: 3.1	: 3.0	: 3.5	: 2.3
United Kingdom	: -1.8	: -1.7	: 3.6	: 1.2	: 3.0	: 2.3	: Negative
Italy	: 4.2	: -3.5	: 5.8	: 1.7	: 2.0	: 3.5	: 1.6
EEC Total	: 1.7	: -1.5	: 5.0	: 2.3	: 2.7	: 3.3	: N.A.
OECD Total	: .6	: -.6	: 5.1	: 3.6	: 3.5	: 3.0	: 2.0

*Projections made in December 1978.

Source: OECD data and projections.

Table 2.--Foreign currency units per U.S. dollar

Period	: : German mark	: : Japanese yen	: : British pound	: : Dutch guilder	: : Canadian dollar
Average 1977	: 2.322	: 268.5	: .5729	: 2.454	: 1.064
January 1978	: 2.118	: 241.1	: .5170	: 2.270	: 1.101
February	: 2.076	: 240.3	: .5155	: 2.226	: 1.113
March	: 2.034	: 231.5	: .5241	: 2.175	: 1.126
April	: 2.040	: 221.7	: .5403	: 2.181	: 1.142
May	: 2.106	: 226.4	: .5502	: 2.255	: 1.119
June	: 2.084	: 214.3	: .5447	: 2.235	: 1.122
July	: 2.054	: 199.9	: .5276	: 2.217	: 1.125
August	: 1.996	: 188.5	: .5149	: 2.163	: 1.140
September	: 1.971	: 190.2	: .5108	: 2.141	: 1.167
October	: 1.844	: 184.1	: .4984	: 2.005	: 1.183
November	: 1.898	: 191.4	: .5093	: 2.053	: 1.173
December	: 1.882	: 196.3	: .5043	: 2.041	: 1.180
Average 1978	: 2.009	: 210.5	: .5214	: 2.164	: 1.141
January 1979	: 1.847	: 197.7	: .4987	: 1.995	: 1.190
February	: 1.856	: 200.6	: .4990	: 2.006	: 1.196
March	: 1.860	: 206.1	: .4907	: 2.009	: 1.174
April	: 1.894	: 216.1	: .4823	: 2.047	: 1.146
May	: 1.908	: 218.2	: .4862	: 2.078	: 1.156
June	: 1.883	: 218.5	: .4736	: 2.066	: 1.172
July	: 1.824	: 216.4	: .4425	: 2.007	: 1.164
Average Quarter 1	: 1.854	: 201.5	: .4961	: 2.003	: 1.187
Average Quarter 2	: 1.895	: 217.6	: .4807	: 2.064	: 1.158

Table 3.--Index of Cost of U.S. Dollars to U.S. Markets
(April 1971 = 100)

	Total Agricultural Exports	Wheat	Soybeans	Cotton	Corn
July 1978	96.10	127.47	80.90	104.41	95.86
August	94.91	127.73	78.88	103.27	94.22
September	95.09	129.00	78.47	104.20	94.16
October	93.51	128.99	75.72	103.42	91.93
November	95.58	132.22	77.69	106.32	94.16
December	96.28	134.48	77.92	107.92	94.53
January 1979	97.23	136.49	77.25	109.13	95.33
February	97.86	138.45	77.53	109.03	96.08
March	98.35	140.48	77.88	109.55	96.73
April	99.25	142.89	78.79	110.29	98.00
May	100.15	145.66	79.20	110.71	98.92
June	100.28	147.36	78.96	110.68	98.85
July	98.72	146.78	77.34	109.00	97.12

TABLE 4-11.8.1 PRICE CHANGES AT THE FARM, FOREIGN TRADE, AND CONSUMER LEVELS, 1ST QUARTER 1978 TO QUARTER 1979

	1 WHEAT	2 CORN	3 SOYBEANS	4 RICE	5 COFFEE	6 SUGAR	7 COCOA	8 BEEF	9 TOTAL
PRICE RECEIVED BY FARMERS	+17.4	+4.0	+7.8	-14.4	--	--	--	+41.7	+15.0
EXPORT UNIT VALUE	+13.1	+2.6	+4.6	-18.2	--	--	--	--	+7.9
IMPORT UNIT VALUE	--	--	--	--	-20.7	-10.0	+10.2	+56.0	+8.3
CONSUMER PRICE	+9.5 ^{1/}	--	+1.2 ^{2/}	--	-18.6 ^{3/}	+6.1	--	+22.2	+9.6

1/ Bread and bakery products

2/ Fats and oils

3/ Roasted coffee

TABLE 5-2.1 PRICES RECEIVED BY FARMERS FOR SELECTED COMMODITIES, CHANGES
IN 1976 AND 1979 FROM THE SAME QUARTER A YEAR EARLIER

	1 QUARTER	2 3 RD	3 PORK	4 BROILERS	5 EGGS	6 MILK	7 MEAT	8 CORN	9 RICE	10 BARLEY	11 SOYBEANS	12 POTATOES	13 RECEIVED BY FARMERS	14 INDEX OF PRICES 3Y
UNITED STATES	IV 1979	+1.7	-8.4	+3.7	+10.7	+14.5	+17.4	+4.0	-14.4	+3.4	+7.9	-22.7	+15.0	
	I 1979	+54.1	+18.3	+17.9	+15.5	+16.3	+15.3	+4.5	-24.9	-3.3	+21.0	-10.8	+24.0	
JAPAN	II 1979	+14.9	-5.2	-5.3	-5.7	-0.5	---	---	-1.5	---	---	-13.2	+4.0	
WEST GERMANY	IV 1978	-4.3	-19.1	-0.8	-24.2	+2.4	+3	+2.1	---	-0.9	---	+38.8	-4.7	
FRANCE	IV 1978	+3.5	-6.8	+4.2	-8.3	+10.7	+4.5	+1.3	---	+5.3	---	+76.3	+5.9	
ITALY	IV 1978	+8.8	+2.3	+1.9	-12.2	+2.6	+7.2	+4.6	---	+4.5	---	-5.0	+5.1	
NETHERLANDS	IV 1978	-1.6	-37.2	-5.3	-27.3	-4.0	+9	---	---	+1.6	---	+40.0	-5.9	
BELGIUM	IV 1978	+0.1	-16.8	-8.9	-34.2	+3.8	-1.5	---	---	+1.9	---	+62.7	-5.8	
UNITED KINGDOM	IV 1978	+13.9	+8.2	+5.2	-0.6	+4.4	+15.0	---	---	+15.6	---	-4.3	+6.5	
IRELAND	IV 1978	+22.1	+0.3	+3.5	-10.3	+9.7	+6.3	---	---	-0.8	---	+150.2	+16.3	
DENMARK	IV 1978	+3.0	+5.4	-0.7	-0.5	-2.7	+1.4	---	---	-1.4	---	+15.7	-0.9	
FIN-9	IV 1978	+6.1	-7.3	+2.6	-12.1	+4.4	+5.7	+2.3	---	+7.8	---	+14.8	+3.5	

TABLE 6--EXPORT AND IMPORT UNIT VALUES OF SELECTED COMMODITIES: CHANGES
FROM THE SAME QUARTER A YEAR EARLIER

	UNITED STATES	JAPAN	WEST GERMANY	CANADA
	1979	1979	1979	1979
	2ND QTR.	1ST QTR.	2ND QTR.	4TH QTR.
WHEAT	+13.1 (X)	+18.3 (X)	+10.1 (I)	+29.4 (X)
CORN	+2.0 (Y)	+4.3 (X)	+1.3 (I)	-21.4 (X)
SOYBEANS	+4.6 (Y)	+19.0 (X)	+17.7 (I)	+9.3 (I)
SOYBEAN OIL	+6.3 (I)	+18.0 (X)	---	+4.5 (I)
SOYBEAN MEAL	+9.1 (Y)	+11.2 (X)	---	+5.5 (I)
COTTON	+8.0 (Y)	+13.2 (X)	+18.0 (I)	+23.2 (I)
TORACCO	+7.9 (Y)	+5.3 (X)	+17.2 (I)	+8.6 (X)
RICE	+16.2 (Y)	+0.0 (X)	---	+9.4 (I)
COFFEE	+20.7 (I)	+25.8 (I)	+29.0 (I)	+17.8 (I)
SUGAR	+10.0 (I)	+5.0 (I)	+4.3 (I)	+19.4 (I)
COCOA BEANS	+10.2 (I)	+5.9 (I)	+16.0 (I)	+03.4 (I)
REFF	+56.0 (I)	+69.8 (I)	+19.3 (I)	+32.7 (X)
NATURAL RUBBER	+31.4 (I)	+28.1 (I)	+20.6 (I)	+39.8 (I)
EXPORT UNIT VALUE INDEX	+7.9	+8.4	+4.7	+18.7
IMPORT UNIT VALUE INDEX	+8.3	+8	+9.2	+9.8

I = IMPORT, UNIT VALUE

X = EXPORT, UNIT VALUE

Table 7--U.S.: Nominal and deflated farm prices for wheat, corn and soybeans ^{1/}

	Wheat		Corn		Soybeans	
	Nominal	Deflated	Nominal	Deflated	Nominal	Deflated
	<u>\$/bushel</u>					
1960/61	1.74	1.95	1.00	1.12	2.13	2.38
1961/62	1.83	2.03	1.10	1.22	2.28	2.53
1962/63	2.04	2.24	1.12	1.22	2.34	2.56
1963/64	1.85	2.00	1.11	1.20	2.51	2.71
1964/65	1.37	1.46	1.17	1.24	2.62	2.79
1965/66	1.35	1.41	1.16	1.20	2.54	2.64
1966/67	1.63	1.66	1.24	1.25	2.75	2.78
1967/68	1.39	1.37	1.03	1.00	2.49	2.43
1968/69	1.24	1.17	1.08	1.00	2.43	2.25
1969/70	1.25	1.11	1.16	1.01	2.35	2.06
1970/71	1.33	1.12	1.33	1.11	2.85	2.38
1971/72	1.34	1.09	1.08	.87	3.03	2.45
1972/73	1.76	1.38	1.57	1.20	4.37	3.37
1973/74	3.95	2.85	2.55	1.78	5.68	3.99
1974/75	4.09	2.66	3.02	1.91	6.64	4.22
1975/76	3.56	2.15	2.54	1.51	4.92	2.93
1976/77	2.73	1.56	2.15	1.20	6.81	3.83
1977/78	2.31	1.24	2.03	1.06	5.80	3.05
1978						
January	2.53	1.35	2.00	1.07	5.75	3.07
February	2.59	1.37	2.03	1.08	5.53	2.94
March	2.67	1.41	2.15	1.13	6.20	3.27
April	2.82	1.47	2.24	1.17	6.49	3.39
May	2.82	1.46	2.29	1.18	6.77	3.50
June	2.82	1.44	2.28	1.17	6.69	3.43
July	2.80	1.42	2.13	1.08	6.39	3.25
August	2.88	1.45	2.00	1.01	6.21	3.14
September	2.92	1.47	1.98	.99	6.19	3.11
October	2.99	1.48	1.97	.98	6.26	3.11
November	3.04	1.50	2.03	1.00	6.39	3.16
December	3.01	1.48	2.09	1.03	---	3.20
1979						
January	2.99	1.46	2.11	1.03	6.58	3.21
February	2.99	1.44	2.18	1.05	6.99	3.38
March	2.97	1.42	2.23	1.06	7.15	3.42
April	3.01	1.42	2.27	1.07	7.06	3.34
May	3.20	1.49	2.35	1.10	7.06	3.30
June	3.73	1.72	2.47	1.14	7.38	3.41

^{1/} Prices deflated by U.S. Consumer Price Index, where 1967 = 100.

Table 9--Consumer prices for food, changes from the same quarter a year earlier

Country	Quarter	Percent change	Country	Quarter	Percent change
Argentina	79-I	211.9	Liberia	78-IV	7.9
Australia	78-IV	10.0	Malawi	79-I	3.5
Austria	79-I	3.8	Malaysia	79-I	2.8
Bangladesh	79-I	11.8	Mexico	78-IV	15.5
Belgium	79-I	-0.6	Netherlands	79-I	1.2
Brazil	79-I	41.3	New Zealand	79-I	11.3
Canada	79-I	15.7	Niger	78-IV	4.5
Colombia	78-IV	7.4	Nigeria	79-I	---
Czechoslovakia	78-IV	1.9	Pakistan	79-I	5.1
Denmark	78-IV	8.0	Paraguay	79-I	26.4
Ecuador	78-IV	7.9	Peru	78-IV	74.6
Egypt	79-I	8.1	Philippines	79-I	-32.5
Ethiopia	79-I	---	Portugal	79-I	28.0
France	79-I	8.3	South Africa	79-I	14.2
Germany, West	79-I	-0.7	Spain	79-I	13.1
Greece	79-I	15.6	Sri Lanka	79-I	13.6
India	78-IV	1.1	Sweden	79-I	3.3
Indonesia	79-I	8.8	Thailand	78-IV	9.0
Iran	79-I	---	Turkey	78-IV	38.0
Ireland	78-IV	11.8	United Kingdom	79-I	10.8
Israel	79-I	47.9	United States	79-I	12.9
Italy	79-I	12.4	Uruguay	78-IV	45.3
Japan	79-I	2.8	Venezuela	79-I	8.7
Jordan	79-I	3.0	Yugoslavia	79-I	16.1
Korea	78-IV	20.3	Zaire	78-IV	88.5
			Zambia	78-IV	16.4

Table 10--International Spot price quotes for principal fertilizers and raw materials

Product/Origin	July 31, 1978	January 1, 1979	September 3, 1979
-- Dollars per metric ton f.o.b. --			
Anhydrous ammonia			
W. Europe	90-95	111-120	145
U.S. Gulf	85-88	90	140
Urea (bulk)			
W. Europe	130-140	125-127	155
U.S. Gulf	128-130	127-130	150-155
Muriate of potash (Standard grade)			
W. Europe	50-54	62-63	80-90
Canada	54-58	65	78-80
Phosphoric acid			
Tampa	203	230	300
Morocco	200	230	340
Diammonium phosphate (DAP)			
Tampa	138-139	142-144	206
Morocco	150	150	-
Concentrated superphosphate (TSP)			
Tampa	94-95.50	98-99	146-148
Morocco	100	100	155-160
Sulfur (Solid)			
W. Europe	52-58	68	90-95
Canada	40-42	50-52	90-92

Source: Green Markets

Table 11--U.S. agricultural exports: Value by commodity,
October-September 1975/76-1978/79

Commodity	1975/76	1976/77	1977/78	Estimated 1978/79
-- Billion dollars --				
Grain & feed	12.161	10.124	11.711	13.7
Oilseeds & products	4.699	6.403	7.453	8.8
Cotton, including linters	.919	1.538	1.707	1.9
Tobacco	.929	1.065	1.132	1.4
Fruits, nuts & vegetables	1.455	1.649	1.880	2.1
Sugar & tropical products	.385	.531	.572	.7
Livestock & products	1.847	2.191	2.352	3.1
Dairy products	.131	.171	.159	.1
Poultry products	.235	.301	.332	.4
Total	22.760	23.974	27.298	32.0

Table 12--U.S. agricultural exports: Volume of selected commodities,
October-September 1975/76-1978/79

Commodity	1975/76	1976/77	1977/78	Estimated 1978/79
-- Million metric tons --				
Wheat & flour	30.611	24.723	32.834	32.3
Feed grains	49.856	50.602	55.545	60.6
Rice	1.953	2.229	2.108	2.4
Soybeans	15.050	15.156	19.686	20.5
Vegetable oils	.888	1.142	1.474	1.6
Oilcake & meal	4.869	4.263	5.840	6.3
Cotton, including linters	.770	1.046	1.378	1.4
Tobacco	.273	.290	.272	.3
Fresh fruit	1.372	1.345	1.320	1.3
Animal fats	1.026	1.379	1.281	1.2
Total	106.668	102.175	121.738	127.9

Table 13 --World Total Grain Production, Consumption and Net Exports 1/ 2/

	1969/70-71/72				1977/78				1978/79				1979/80			
	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports	
	Million Metric Tons															
Developed Countries																
United States	404.0	377.6	31.4	480.7	387.4	77.7	515.3	412.0	82.8	510.3	420.5	82.8	510.3	420.5	103.3	
Canada	308.7	168.9	39.3	262.4	161.0	85.7	271.2	8.1	91.6	283.6	182.0	91.6	283.6	182.0	111.6	
EC-9	34.4	22.1	14.9	42.2	21.6	19.0	41.4	22.0	16.6	35.7	22.5	16.6	35.7	22.5	18.1	
Other Western Europe	94.2	111.5	-16.6	103.9	115.2	-10.6	117.0	119.5	6.5	111.4	121.0	6.5	111.4	121.0	-9.9	
South Africa	28.9	33.7	-4.9	32.1	42.4	-10.0	36.7	43.4	-8.8	34.1	44.6	-8.8	34.1	44.6	8.9	
Japan	10.1	7.1	2.5	12.9	8.9	2.9	9.9	33.8	3.8	11.7	9.3	3.8	11.7	9.3	1.8	
Oceania	12.7	27.9	-14.4	12.4	32.6	-22.7	12.2	33.8	-22.9	11.5	35.0	-22.9	11.5	35.0	-23.3	
	15.0	6.3	10.7	14.9	5.7	13.4	26.9	5.3	9.6	22.2	6.1	9.6	22.2	6.1	14.0	
Centrally Planned Countries																
Eastern Europe	408.7	423.1	-5.8	482.9	531.5	-34.5	541.0	558.8	35.0	486.7	558.6	35.0	486.7	558.6	-55.8	
U.S.S.R.	75.0	82.0	-6.7	93.5	103.7	-10.1	4.8	108.6	12.0	89.7	105.0	12.0	89.7	105.0	-15.1	
People's Republic of China	167.4	171.7	4.0	186.2	217.0	-16.8	227.5	221.3	-12.8	1.4	219.1	-12.8	1.4	219.1	-31.7	
	166.2	169.3	-3.1	203.2	210.8	-7.6	218.7	228.9	-10.2	225.5	234.5	-10.2	225.5	234.5	-9.0	
Developing Countries																
Middle America	315.1	335.0	-21.1	372.0	414.3	-36.8	391.5	433.3	-40.1	386.0	438.8	-40.1	386.0	438.8	-46.2	
Venezuela	15.8	17.0	-1.0	19.0	24.4	-4.6	20.1	25.2	-4.5	20.4	26.2	-4.5	20.4	26.2	-5.9	
Brazil	.8	1.8	-9	1.4	3.0	-1.7	1.5	3.1	-1.5	1.5	3.3	-1.5	1.5	3.3	-1.8	
Argentina	20.4	22.0	-8	21.6	28.4	-2.2	24.9	30.3	-5.7	28.7	31.8	-5.7	28.7	31.8	-4.6	
Other South America	19.4	11.2	8.0	23.6	11.4	13.7	25.6	12.1	14.9	24.6	12.8	14.9	24.6	12.8	12.8	
North Africa/Middle East	6.8	8.9	-2.1	7.6	10.9	-3.0	7.6	11.1	-3.3	8.3	11.5	-3.3	8.3	11.5	-3.1	
Central Africa	40.6	49.9	-9.4	48.3	67.6	-18.9	53.6	72.9	-19.3	50.4	73.6	-19.3	50.4	73.6	-22.4	
East Africa	22.3	24.1	-1.8	21.6	25.6	-4.2	22.8	26.7	-4.0	23.0	27.4	-4.0	23.0	27.4	-4.3	
South Asia	9.6	9.8	-.3	11.3	11.1	-.4	10.4	11.2	-.4	10.6	11.2	-.4	10.6	11.2	-.6	
Southeast Asia	119.1	123.4	-5.5	146.9	143.6	-2.6	149.8	153.5	-2.7	142.8	151.6	-2.7	142.8	151.6	2.2	
East Asia	22.9	19.8	3.3	20.4	17.1	2.9	22.9	18.4	5.0	22.4	17.6	5.0	22.4	17.6	5.2	
Rest of World	30.4	37.9	-8.2	36.9	49.8	-12.9	39.5	52.8	-15.5	39.8	55.5	-15.5	39.8	55.5	-16.1	
	6.9	9.2	-2.3	13.3	16.4	-2.9	12.8	16.0	-3.1	13.5	16.8	-3.1	13.5	16.8	-3.2	
Total Above	1126.0	1137.0	---	1335.6	1333.2	---	1447.8	1404.1	---	1383.0	1417.9	---	1383.0	1417.9	---	
World Total 3/	1126.0	1137.0	---	1336.0	1340.1	---	1447.7	1412.5	---	1382.7	1421.0	---	1382.7	1421.0	---	

1/ Totals may not add due to rounding.

2/ Net exports on a July-June year.

3/ Based on September 14, 1979 FAS grain circular.

Table 14--World Wheat Production, Consumption and Net Exports 1/ 2/

	1969/70-71/72				1977/78				1978/79				1979/80			
	Pro- duction	Con- sumption	Net Exports		Pro- duction	Con- sumption	Net Exports		Pro- duction	Con- sumption	Net Exports		Pro- duction	Con- sumption	Net Exports	
----- Million Metric Tons -----																
Developed Countries	112.0	87.8	28.3		134.8	87.9	52.1		149.1	90.2	49.7		146.1	91.3	58.9	
United States	40.0	21.9	17.4		55.4	23.1	31.5		49.0	23.4	32.3		57.8	23.5	38.0	
Canada	13.9	4.7	11.7		19.9	5.1	15.9		21.1	4.8	13.4		17.5	5.3	14.5	
EC-9	36.9	40.9	-3.5		38.4	39.4	-5.5		47.5	40.7	3.2		43.5	41.3	2.2	
Other Western Europe	9.9	10.7	-8.8		9.3	10.2	-2.2		10.9	10.3	-4.4		9.7	10.4	-3.3	
South Africa	1.5	1.3	-1.1		1.9	1.7	-2.2		1.6	1.7	-1.1		1.8	1.7	-1.1	
Japan	.6	5.3	-4.7		.2	5.8	-5.7		.4	6.1	-5.6		.4	6.2	-5.6	
Oceania	9.3	3.0	8.3		9.7	2.7	11.1		18.6	3.1	6.7		15.3	2.8	10.0	
Centrally Planned Countries	148.8	160.2	-3.2		167.3	193.6	-17.4		201.7	198.4	-14.3		163.6	201.2	-23.5	
Eastern Europe	26.3	30.6	-4.1		34.2	36.9	-2.9		35.8	38.9	-2.9		30.6	36.2	-5.5	
U.S.S.R.	92.8	96.0	4.8		92.2	107.1	-5.9		120.8	106.5	-3.6		85.0	109.5	-10.5	
People's Republic of China	29.7	33.6	-3.9		41.0	49.6	-8.6		45.0	53.0	-8.0		48.0	55.5	-7.5	
Developing Countries	63.9	87.1	-24.3		80.3	117.2	-33.3		87.7	122.8	-32.8		91.5	127.2	-35.2	
Middle America	2.1	2.9	-8.8		2.4	4.2	-1.6		2.4	4.5	-2.0		2.0	4.5	-2.5	
Venezuela	---	.7	-.7		0	.8	-.8		0	.8	-.8		0	.8	-.8	
Brazil	1.6	3.6	-1.8		2.1	6.0	-3.1		2.7	6.5	-3.7		3.5	6.9	-3.4	
Argentina	5.9	4.4	1.6		5.3	4.4	2.6		8.1	4.3	3.3		7.7	4.5	3.1	
Other South America	1.9	3.8	-1.8		1.4	4.3	-2.8		1.4	4.5	-3.0		1.4	4.5	-2.8	
North Africa/Middle East	20.6	28.5	-8.3		26.1	39.3	-13.7		28.6	41.8	-12.9		27.4	43.0	-14.9	
Central Africa	.9	2.0	-1.2		.6	2.8	-2.2		.4	2.6	-2.2		.5	2.9	-2.4	
East Africa	.3	.6	-.2		.3	.7	-.4		.3	.7	-.4		.3	.8	-.4	
South Asia	30.1	33.7	-4.8		41.8	46.6	-3.4		43.3	49.1	-3.4		48.2	50.6	-2.8	
Southeast Asia	.1	.4	-.4		.1	.3	-.2		.1	.3	-.2		.1	.3	-.2	
East Asia	.2	4.2	-4.1		0	4.9	-5.0		0	5.0	-5.1		0	5.1	-5.2	
Rest of World	.3	2.2	-1.9		.4	3.0	-2.6		.4	2.8	-2.4		.4	3.2	-2.8	
Total Above	324.7	335.1	---		382.4	398.7	---		438.5	411.4	---		401.2	419.7	---	
World Total 3/	324.6	335.7	---		382.4	401.2	---		438.5	414.1	---		401.2	420.6	---	

1/ Totals may not add due to rounding.

2/ Net exports on a July-June year.

3/ Based on September 14, 1979 FAS grain circular.

Table 15--World Coarse Grain Production, Consumption and Net Exports 1/ 2/

	1969/70-71/72			1977/78			1978/79			1979/80		
	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports
----- Million Metric Tons -----												
Developed Countries	276.5	275.6	1.0	329.6	286.5	23.7	348.7	308.4	30.4	347.6	315.8	41.5
United States	165.8	145.7	20.2	203.8	136.6	52.0	218.0	152.9	56.8	221.5	137.1	71.0
Canada	20.5	17.4	3.2	22.3	16.5	3.2	20.2	17.0	3.2	18.2	17.1	3.7
EC-9	56.7	69.9	-13.0	65.0	75.0	-9.7	68.8	77.8	-9.4	67.2	78.7	-11.8
Other Western Europe	18.6	22.5	-4.1	22.4	31.7	-9.7	25.4	32.6	-8.3	24.0	33.7	-8.5
South Africa	8.7	5.7	2.6	11.0	7.1	2.8	8.3	7.0	3.3	9.9	7.5	1.9
Japan	.7	11.1	-10.3	.2	16.8	-17.0	.4	17.9	-17.9	.4	18.6	-18.3
Oceania	5.4	3.2	2.3	4.8	3.0	2.0	7.8	3.2	2.6	6.4	3.2	3.6
Centrally Planned Countries	185.1	188.5	-3.0	226.3	249.2	-17.8	244.7	266.3	-21.2	227.0	262.0	-32.9
Eastern Europe	48.6	51.1	-2.4	59.2	66.4	-7.0	58.9	69.3	-9.1	59.0	68.5	-9.4
U.S.S.R.	73.8	74.7	-.5	92.6	108.3	-10.7	105.3	113.3	-8.9	105.0	108.0	-21.0
People's Republic of China	62.6	62.7	-.1	74.5	74.6	-.1	80.5	83.7	-3.2	83.0	85.5	-2.5
Developing Countries	131.7	126.9	5.1	147.5	153.7	-1.6	156.1	163.1	-4.6	154.7	164.7	-9.2
Middle America	13.0	13.2	-.1	15.7	19.1	-3.0	16.8	19.7	-2.4	17.4	20.6	-3.3
Venezuela	.7	.9	-.3	1.1	2.0	-1.0	1.2	2.0	-.8	1.2	2.2	-1.0
Brazil	14.6	14.4	.9	14.4	16.8	-.8	16.9	18.1	-1.6	19.0	18.9	-1.1
Argentina	13.3	6.7	6.3	18.1	6.9	11.0	17.3	7.7	11.5	16.7	7.7	9.6
Other South America	3.5	3.9	-.4	4.2	4.6	-.5	4.0	4.7	-.5	4.5	4.9	-.5
North Africa/Middle East	17.2	18.6	-1.2	19.6	24.5	-4.0	22.2	27.0	-4.9	20.3	26.2	-5.8
Central Africa	18.8	18.8	-.1	17.9	18.4	-.5	19.1	19.3	-.4	19.2	19.5	-.4
East Africa	9.1	9.0	-.1	10.9	10.1	.1	9.9	10.2	.1	10.1	10.1	0
South Asia	30.9	31.0	-.1	33.6	34.1	0	33.8	34.7	0	31.1	32.9	0
Southeast Asia	2.3	.6	1.8	2.5	1.2	1.3	3.5	1.3	2.1	3.9	1.4	2.5
East Asia	6.4	7.7	-1.6	7.1	13.1	-5.5	8.7	15.2	-7.3	8.4	17.0	-8.7
Rest of World	1.8	2.0	-.2	2.4	2.8	-.3	2.7	3.1	-.4	2.8	3.2	-.4
Total Above	593.2	591.0	---	703.4	689.4	---	749.5	737.8	---	729.3	742.5	---
World Total 3/	593.2	594.1	---	703.4	693.8	---	749.4	742.2	---	729.3	743.4	---

1/ Totals may not add due to rounding.

2/ Net exports on a July-June year.

3/ Based on September 14, 1979 FAS grain circular.

Table 16--World Milled Rice Production, Consumption and Net Exports 1/ 2/

	1969/70-71/72			1977/78			1978/79			1979/80		
	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports	Pro- duction	Con- sumption	Net Exports
	Million Metric Tons											
Developed Countries	15.52	14.21	2.11	16.3	13.0	1.9	17.4	13.4	2.8	16.6	13.4	2.9
United States	2.88	1.27	1.66	3.1	1.2	2.3	4.3	1.7	2.4	4.4	1.4	2.6
Canada	---	.05	-.05	0	---	---	0	---	---	0	---	---
EC-9	.66	.74	-.07	.5	.9	-.4	.7	1.0	-.3	.7	1.0	-.3
Other Western Europe	.43	.47	-.04	.4	.5	-.1	.4	.5	-.1	.4	.5	-.1
South Africa	---	.07	-.07	0	---	---	0	---	---	0	---	---
Japan	11.40	11.54	.54	11.9	10.0	0	11.4	9.9	.6	10.6	10.3	.6
Oceania	.19	.07	.14	.4	.1	.3	.5	.1	.4	.5	.1	.4
Centrally Planned Countries	74.86	74.43	.44	89.3	88.6	.5	94.6	94.1	.5	96.1	95.5	.6
Eastern Europe	.14	.37	-.22	.1	.4	-.2	.1	.4	-.2	.1	.4	-.2
U.S.S.R.	.83	1.10	-.28	1.4	1.6	-.2	1.4	1.6	-.2	1.4	1.6	-.2
People's Republic of China	73.89	72.96	.94	87.7	86.6	1.1	93.2	92.3	1.0	94.5	93.5	1.0
Developing Countries	119.45	120.96	-1.80	137.1	136.2	-2.0	141.1	140.8	-2.8	132.9	140.1	-1.9
Middle America	.71	.81	-.09	.9	1.0	0	.9	1.1	-.1	1.0	1.1	-.1
Venezuela	.13	.11	.02	.3	.3	.1	.4	.3	.1	.4	.3	0
Brazil	4.12	4.00	.09	5.1	5.6	-.1	5.3	5.7	-.4	6.1	6.0	0
Argentina	.21	.15	.07	.2	.1	.1	.2	.1	.1	.2	.1	.1
Other South America	1.41	1.28	.10	2.1	1.9	.4	2.2	2.0	.2	2.4	2.1	.3
North Africa/Middle East	2.81	2.76	.04	2.6	4.1	-1.4	2.7	4.3	-1.8	2.8	4.6	-2.0
Central Africa	2.73	3.26	-.54	3.1	4.4	-1.5	3.2	4.7	-1.4	3.3	4.9	-1.6
East Africa	.19	.20	-.01	.2	.3	-.1	.2	.3	-.1	.2	.3	-.1
South Asia	58.05	58.63	-.65	71.6	67.8	.8	72.7	69.6	.8	63.5	68.1	.7
Southeast Asia	20.52	18.79	1.91	17.8	15.6	1.8	19.3	16.8	3.0	18.5	15.9	2.9
East Asia	23.80	25.99	-2.53	29.8	31.8	-2.4	30.7	32.6	-3.1	31.1	33.4	-2.2
Rest of World	4.76	4.98	-.22	3.4	3.3	.1	3.3	3.3	-.1	3.4	3.3	.1
Total Above	209.86	209.59	---	242.7	237.8	---	253.1	248.3	---	245.6	249.0	---
World Total 3/	209.86	209.59	---	242.4	237.7	---	253.1	248.0	---	245.7	248.7	---

1/ Totals may not add due to rounding.

2/ Net exports on a July-June year.

3/ Based on September 14, 1979 FAS grain circular.

Table 18--World centrifugal sugar production by regions and major countries, average
1969/70-1971/72 and annual 1976/77-1978/79

Country and region	Production			
	1969/70- 71/72	1976/77	1977/78	1978/79 <u>2/</u>
	1,000 metric tons			
North America	17,516	18,803	19,239	19,185
Canada	127	165	147	126
United States <u>1/</u>	5,587	6,234	5,443	5,584
Cuba	6,382	6,100	7,200	6,500
Dominican Republic	1,073	1,222	1,164	1,250
Mexico	2,466	2,696	3,029	3,200
Other North America	1,881	2,386	2,256	2,525
South America	9,133	12,721	13,879	12,442
Argentina	956	1,592	1,665	1,387
Brazil	5,119	7,500	8,863	7,724
Other South America	3,058	3,629	3,351	3,331
Western Europe	11,074	13,145	14,655	14,681
EC-9	9,318	10,471	12,160	12,320
Other Western Europe	1,756	2,674	2,495	2,361
Eastern Europe	4,232	5,219	5,621	5,597
USSR	8,592	7,350	8,825	9,000
Africa	4,729	6,070	6,175	6,377
South Africa Republic	1,637	2,166	2,211	2,110
Asia	12,781	19,217	20,304	20,622
China, People's Republic	1,957	2,153	2,465	2,680
India	4,113	6,043	8,127	7,875
Japan	485	565	630	672
Philippines	1,951	2,753	2,397	2,360
Oceania	2,813	3,712	3,691	3,444
Australia	2,467	3,405	3,322	2,985
World Total	70,908	86,237	92,389	91,348

1/ Includes Hawaii and Puerto Rico.

2/ Estimate.

Source: Foreign Agricultural Service.

Table 19--World coffee production and exportable production

Country and region	Production												Exportable production <u>1/</u>																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															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1/ Total harvested production less estimated domestic consumption.

Source: Foreign Agricultural Service.

Table 20--World cocoa bean production

Country and region	Average 1969/70-71/72	1976/77	1977/78	Forecast 1978/79
- - - - - Thousand metric tons - - - - -				
Latin America ^{1/}	367.1	439.4	506.1	532.3
Dominican Republic	36.8	33.0	34.0	35.0
Mexico	26.8	24.1	34.7	36.0
Brazil	183.1	234.0	283.0	300.0
Colombia	16.6	28.0	30.0	32.0
Ecuador	59.3	72.0	75.0	78.0
Venezuela	18.7	16.6	17.0	17.0
Africa ^{1/}	1,088.0	857.0	932.1	881.0
Cameroon	114.6	84.5	110.0	110.0
Ghana	423.4	325.0	271.0	260.0
Ivory Coast	192.9	232.4	297.0	320.0
Nigeria	271.0	165.0	203.0	140.0
Asia and Oceania ^{1/}	41.0	55.7	59.2	62.9
Malaysia	3.5	16.7	19.0	22.0
Papua/New Guinea	27.1	27.8	29.1	29.0
World	1,496.1	1,352.1	1,497.4	1,476.2

^{1/} Total includes countries not listed.

Source: Foreign Agricultural Service.

Table 21--Cotton stocks beginning of season 1969/70-1979/80

[illegible]

SOURCE: Foreign Agricultural Service.

Table 22--World cotton production, trade, and mill consumption, average 1969/70-71/72 and annual 1976/77-78/79

[illegible]

1/ Estimated.



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